

| together individually



# *Investment Regulations*

Valitas collective Foundation LPP

Valid from 1 January 2022



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## **Art. 1 General provisions**

The Foundation Board issues investment regulations based on Art. 49(a) of the Swiss Occupational Pensions Ordinance (OPO) 2 and Art. 11 of the deed of foundation. Within the framework of statutory law, these regulations stipulate the principles, guidelines, tasks and expertise to be respected in the investment and management of the pension assets of pension funds affiliated to Valitas collective Foundation LPP.

## **Art. 2 Definitions**

### **1. The Foundation**

Valitas collective Foundation LPP is a foundation as defined by Art. 80 et seqq of the Swiss Civil Code, 331 of the Swiss Code of Obligations and 48 of the Swiss Occupational Pensions Act.

### **2. The Foundation Board**

The Foundation Board is the governing body. It is responsible for the administration and implementation of the Foundation's decisions unless the deed of foundation or the regulations expressly state otherwise. The Foundation Board can delegate individual powers to third parties under its responsibility.

### **3. Investment Committee**

The Investment Committee is appointed by the Foundation Board. The people entrusted with this task must comply with the requirements according to Art. 48(f)–48(l) OPO 2. To avoid conflicts of interest, these people may not be assigned with the management of the Foundation's pension assets or the pension funds. The Managing Director of the Foundation is a permanent member of the Investment Committee.

### **4. Companies**

An affiliated company within the terms of these Regulations refers to each of the Companies contractually affiliated with the Foundation to implement the employee benefits scheme.

### **5. Pension fund**

This is an accounting unit that is set up within the Foundation for each Company and which as a minimum is organised according to a pension plan. It has a separate account with regard to financing, benefits and asset management and a separate governing body, the Administrative Commission.

### **6. Administrative Commission**

A company affiliated with the Foundation forms an Administrative Commission of employee and employer representatives as the pension fund's governing body.

### **7. Investment managers**

A Swiss bank, investment institution or asset manager which has a direct or indirect contractual relationship with the Foundation and which has been commissioned to manage the Foundation's assets and pension funds. The investment managers must satisfy the requirements of Art. 48(f)–48(l) OPO 2, of the Swiss Banking Act and the Swiss supervisory bodies FINMA and the Occupational Pension Supervisory Commission or OPSC.

### **Art. 3 Basic principles**

All statutory investment regulations, especially those of the OPA, the Swiss Ordinance of 18 April 1984 on Occupational Old Age, Survivors' and Invalidity Pension Provision (OPO 2) and the instructions and recommendations of the Swiss Federal Social Insurance Office (FSIO) must be complied with at all times.

The assets are to be managed within the framework of the legal and regulatory provisions and in such a way that the security, risk distribution and returns are taken into account. With regard to risk distribution, it must be ensured that there is adequate diversification in terms of asset classes, regions, sectors and investment instruments (especially securities and real estate). The focus is exclusively on the financial interests of the affiliated pension funds and the Insured Persons. Annex 1 stipulates the principles governing the investment guidelines.

The Foundation assets and the individual pension funds are to be managed such that account is taken of the corresponding capacity and appetite for risk.

The use of derivatives and similar instruments is permitted according to Art. 56(a) OPO 2. In addition, alternative investments that do not require additional funding may be used for diversification purposes and to reduce investment risk if they comply with Art. 53(1)(e) and (2) OPO 2.

Liquidity management established by the Foundation will ensure the prompt delivery of pension benefits (Art. 52 OPO 2).

The pension funds may not acquire any real estate or direct properties.

Investments with the employer of a pension fund may take place in accordance with Art. 57 and 58 OPO 2, with the Foundation's approval.

### **Art. 4 Allocation of duties**

#### **1. The Foundation Board**

- The Foundation Board approves these investment regulations and submits them to the appropriate supervisory authority (BVG- und Stiftungsaufsicht) for the canton of Zurich.
- It takes the appropriate organisational measures required to comply with the regulations on loyalty (Art. 14 of the investment regulations). It also stipulates the voting guidelines on exercising shareholders' voting rights (Art. 12 of the investment regulations).
- The Foundation Board determines at Foundation level the required or target returns for financing the retirement pensions, with the involvement of the pension fund experts and sets the target levels for the fluctuation reserves.
- In consultation with the Investment Committee, it decides on the long-term investment strategy of the Foundation, the investment guidelines and investment principles.
- It designates the members of the Investment Committee.
- It is responsible for the investment of assets, unless the Administrative Commission has the expertise for this.
- It decides on the purchase or the sale of directly held properties.
- It decides on investments with the employer.
- It decides on securities lending and repurchase transactions.
- It can issue additional guidelines.

## **2. Investment Committee at Foundation level**

- It works in consultation with the pension fund expert to draw up the investment regulations and forwards these to the Foundation Board.
- It is responsible for achieving the long-term investment strategy set by the Foundation Board.
- It draws up and monitors the liquidity and investment plan and, within the context of these guidelines, it decides on the individual investments and allocation of the resources available to asset management.
- It is responsible for long-term achievement of the required or target returns for financing retirement pensions according to the stipulations of the Foundation Board and the pension fund expert.
- It works in consultation with the pension fund expert to regularly review the investment strategy and the associated required or target returns that are based on circumstances that have changed (risk capacity). When corrective measures are required, it notifies the Foundation Board.
- It informs the Foundation Board quarterly about the investment activities and successes of the individual asset classes and the total assets in relation to the benchmark or the competition (reporting).
- It defines the requirements that investment managers must meet. It submits to the Foundation Board proposals concerning the investment managers with whom the Foundation and the affiliated pension funds work.
- It sets the objectives, principles, implementation and supervision of the investment assets in a transparent manner so that the Foundation Board can fully perform its management tasks. It monitors compliance by the investment managers and asset managers with the legal requirements of Art. 48(f)–48(l) OPO 2.

- It uses clearly defined mandates and precise investment guidelines to govern the activities of the investment managers and supervises their activities and success.
- It submits proposals to the Foundation Board for the purchase and sale of real estate.
- In the context of auditing, it is responsible for collaboration with the auditors and the pension fund expert.
- It is responsible for supervising securities accounting, controlling and reporting. External solutions are permitted.

## **3. Investment Committee at pension fund level**

- In conjunction with the Administrative Commission it defines the fluctuation reserves required for the corresponding investment strategies.
- It determines the individual pension funds' risk capacity, involving the pension fund expert if necessary.
- It informs the Foundation Board quarterly about the investment activity and successes of the investment managers selected by the pension funds in the individual asset classes and the total assets in relation to the benchmark or the competition.
- It assists the management consultant with looking after the pension funds as part of investment management.
- It regularly reviews compliance of the investment strategy set by the Administrative Commission with the pension fund's capacity for risk.
- If necessary it decides on the corrective measures required. External solutions are permitted.
- The Investment Committee reviews how the investment managers organise the investments.
- It appoints the investment managers according to set criteria and provides the Administrative Commission with a selection

#### **4. Administrative Commission**

The Administrative Commission decides the investment strategy and type of asset management according to Art. 6 of the Regulations. In consultation with the Foundation it selects the investment managers and can delegate the authority to take investment decisions to an authorised person. In any case the Foundation Board bears the responsibility for all capital investments.

#### **5. Investment managers**

The investment manager manages the pension assets according to the written mandate from the Foundation or Administrative Commission. If the Administrative Commission administers the assets itself, the investment manager shall assist and advise on decision at the Administrative Commission's request. The management mandate provides for compliance with the legal provisions and those of the investment regulations. The management mandate can be revoked at any time.

In compliance with the management mandate and precise investment guidelines that have been issued, the investment manager shall compile a quarterly report (please refer to Art. 11 Reporting) to be submitted to the Administrative Commission and the Foundation.

The Foundation or Administrative Commission respectively may only entrust people and institutions with investment and management of their pension assets if they are qualified to do so and organised in such a way that they can guarantee compliance with legal requirements (Art. 51(b) para. 1 OPA and Art. 48(g) and 48(l) OPO 2). Compliance with or fulfilment of the statutory provisions as mentioned shall also apply if the Administrative Commission manages the assets itself.

#### **Art. 5 Management of individual pension funds**

The Foundation shall manage each pension fund separately. It shall ensure separate investment and reporting of the pension assets per affiliation. The management costs for asset management will be shown separately in the company accounts (Art. 48(a) OPO 2).

The Foundation shall appoint one or more investment foundations from reputable Swiss providers or one or more Swiss banks with account and custodian account management.

The designated investment managers shall invest the pension assets for each pension fund in accordance with the applicable Federal enactments.

#### **Art. 6 Investment of assets**

The choice of investments is subject to compliance with the investment guidelines of the Swiss Occupational Pension Ordinance (OPO 2).

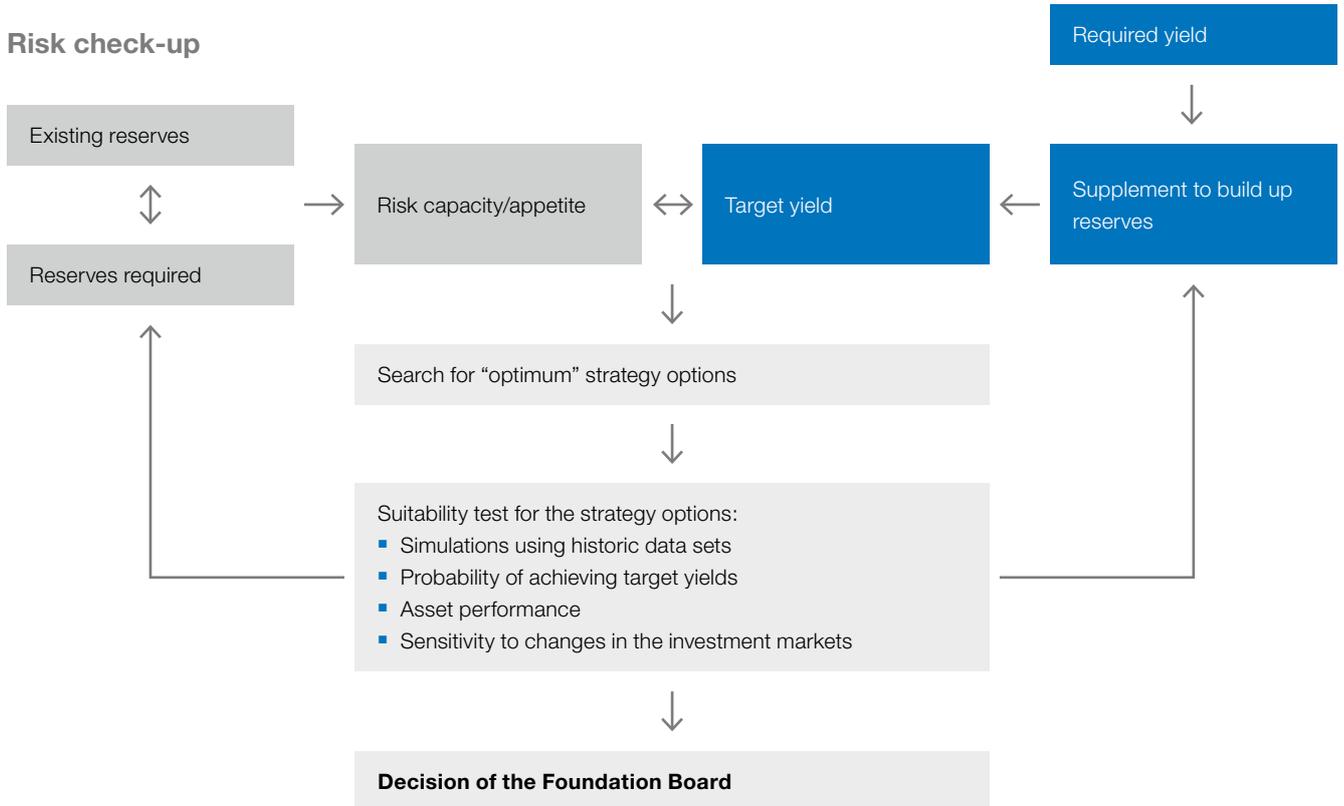
A benchmark is to be set for every investment strategy and investment category. The investment strategy benchmark must be compiled from the individual reference indices for the investment categories. A benchmark is calculated using these indices and the neutral weighting according to the assets structure. The Investment Committee monitors the benchmark.

The Foundation sets the rules on forming fluctuation reserves. These comply with the principle of consistency and the provisions of the GAAP FER 26 accounting recommendations (Art. 10 of the Investment Regulations).

Within the scope of the mandates in place between the Foundation and the investment managers, the Administrative Commission shall determine the investment managers that work for its pension fund.

The Administrative Commission shall determine the investment strategy after consulting the Foundation. The invest-

ment strategy must aligned to one of the model strategies in Annex 2. In consultation with the Foundation, the Administrative Commission can deviate from the model strategies in Annex 2 if the pension fund's risk capacity so permits. The Foundation shall establish the pension fund's required or target yields by means of a **risk check-up**.



If it is not possible to achieve the financing targets, such as the minimum fluctuation reserve required, within a suitable period of time (5 to 7 years) due to the suitability test, the Foundation can reject the investment strategy selected by the Administrative Commission. The pension fund shall bear the cost of the suitability test. The investment decisions shall be recorded in writing.

The agreed allocation of assets may be amended by a written notification from the Administrative Commission with the Foundation's consent and in consultation with the investment managers.

The Foundation and investment managers are authorised to postpone implementation of the Administrative Commission's investment decisions by up to six months.

The Administrative Commission shall be responsible for the additional risks it incurs as a result of its instructions.

If the fluctuation reserve falls below the level designated by the Foundation, the Foundation shall notify the affiliated Companies and Administrative Commission respectively and can take the necessary actions on its own responsibility.

### **Art. 7 Investment policy**

The pension fund investments must comply with an investment policy that carefully selects and monitors the investments to safeguard the purpose of the occupational pension provisions. The security of the investments is of utmost priority. Includes an appropriate distribution of risk that corresponds to market conditions. The details on the individual asset classes are available in Annex 1.

Liquidity is to be structured so that pension and termination benefits can be paid within a reasonable period of

time. In addition, the level of liquidity held will depend on assessments of the money and capital markets.

A pension fund's assets are invested in bank accounts and in other asset classes on the "Asset investment" form. Whether and to what extent use can be made of the expanded investment options (Art. 50(4) OPO 2) depends on the level of a pension fund's assets and the fluctuation reserves available (risk capacity). If investment options are expanded, it must be conclusively proven that compliance with due diligence, security and the distribution of risk has been maintained according to Art. 50(1)–(3) OPO 2.

### **Art. 8 Valuation of investments**

The valuation of capital investments complies with the provisions of the GAAP FER 26 accounting recommendations. The investments will be valued according to the listed price or market value on the balance sheet date. The reference date in each case will be 31 December of the calendar year. If no market value is available standard valuations will be used. In particular this concerns

- Direct mortgages: valuation using par value
- Shares in funds and investment foundations that are not traded on an exchange: valuation using Net Asset Value (NAV)

### **Art. 9 Pension fund assets**

The pension fund assets are composed of the tied up and free capital.

The tied-up capital comprises the pension fund obligations that ensue from provision of the regulation and statutory benefits, i.e. the OPA retirement assets or savings capital, and any other pension fund obligations.

The free capital is composed of the fluctuation reserves, the employers' contribution reserves and the free resources.

The Administrative Commission can increase or decrease the fluctuation reserves only after consulting the Foundation. The minimum fluctuation reserves required must not fall below the level specified in Art. 10 of the investment regulations.

After consulting the Foundation and having regard to the capital investment, the Administrative Commission may use the free resources to improved the Insured Persons' benefits.

#### **Art. 10 Fluctuation reserves**

Fluctuation reserves are used to compensate for fluctuations in investments. The level of fluctuation reserves is expressed as a percentage of the obligations (required actuarial reserves). According to Art. 46(a) and (b) OPO 2, after 75% of the fluctuation reserve target has been achieved, improvements may be made to benefits or interest rate payments using a maximum of 50% of the annual income surplus achieved.

The fluctuation reserves must be built up in a transparent manner in compliance with Art. 49(a) OPO 2 and Swiss GAAP FER 26. The value-at-risk method is used to calculate the fluctuation reserve targets.

The fluctuation reserve target value is set based on the mainly negative market trends in 2008 so that we are % certain 98.0 that there will be no cover shortfall within a year if the investment strategy is followed, taking into account the payment of benefits (required return). The parameters used to calculate the fluctuation reserves (level of certainty, 1-year horizon, risk and return characteristics of the investment strategy and required return) and the target levels for the fluctuation reserves are regularly reviewed as part of the annual calculations of the return/risk ratios and redefined by the Foundation Board when necessary.

#### **Art. 11 Controlling and reporting**

Investments and asset management are to be monitored regularly. The reports are to be composed and designed in such a way that the responsible bodies have meaningful information at their disposal. Reporting must ensure that the individuals charged with responsibilities are informed so that they can perform their assigned controlling tasks.

Investment managers will compile a quarterly report on behalf of the Foundation Board or the Investment Committee for the attention of the Administrative Commission and the Foundation. The report must provide a fundamental insight into the investment activity, the investment results (overall performance and for each category) in relation to the benchmark, as well as compliance with the investment guidelines, tactical fluctuation margins and investment regulations.

The report must also justify the use of derivatives, alternative financial instruments and securities lending as well as performance deviations from the benchmarks or targets. If the opportunity to expand on investment options has been used according to Art. 50(4) OPO 2, the investment manager must comment on this in an annual report issued on 31 December each year. The report must also provide information on the asset allocation and the specific cases in which the expansion has been used. The outcome of the report and compliance with requirements are specified in the notes to the Foundation's annual financial statements. If securities lending is used, an explanation on compliance with the provisions included in the FINMA Collective Investment Schemes Ordinance (Annex 1 paragraph 7 of the investment regulations) must be submitted.

The Investment Committee will immediately notify the Foundation Board about any special incidents that occur during investment management at both Foundation and

pension fund level. The Foundation Board has the authority to decide on the measures to be taken and can involve the pension fund expert, if need be.

### **Art. 12 Exercising shareholder rights**

Voting rights are exercised at general meetings when direct investments are involved. A physical presence is not normally required at general meetings. If there are no special circumstances, an independent proxy will be appointed to exercise the voting rights. The motions proposed by the Board of Directors are generally voted on by using “Yes, adopt” or “No, reject”. “Abstain” is rarely used. Instructions can be issued in writing or electronically.

In the event of special circumstances (especially acquisitions, mergers, significant personnel changes to the Board of Directors, changes in the capital structure, changes to the structure of the voting rights), the Foundation Board may issue voting instructions. The interests of the Insured Persons are deemed to be have safeguarded if the voting behaviour ensures the permanent prosperity of the Foundation.

The annual report on the use of compulsory voting is published on the Foundation’s homepage ([www.valitas.ch](http://www.valitas.ch)) in compliance with Art. 23(2) ERCO (Ordinance against Excessive Remuneration in Listed Companies Limited by Shares).

### **Art. 13 Liability for shortfall**

Basically, the Company shall be liable if there is a shortfall. The Company’s margin requirement is recorded in a separate declaration, which is deemed to be an integral part of the Affiliation Agreement, and is to be signed by the Company and the Administrative Commission.

### **Art. 14 Integrity and loyalty of those in positions of responsibility**

The people and institutions entrusted with the management, administration or asset management must have a good reputation and guarantee proper business conduct. They are subject to the fiduciary duty of care and must safeguard the interests of the Foundation’s Insured Persons of the pension fund when conducting their activities. The people entrusted with asset management are listed in Annex 5.

The people and institutions entrusted with the asset management must have the competency and the ability to guarantee that they will comply with Art. 51(b)(1) OPA and 48(g)–48(l) OPO 2.

The appropriate supervisory authority is to be immediately notified about any staff changes involving asset management as well as the conclusion of fitness and propriety assessments with regard to the loyalty and integrity of those newly entrusted with these responsibilities. For third parties notification is only required when there are changes to contractual partners (financial institutions). There is no need to report changes to natural persons (employees of the financial institutions).

External individuals involved in the asset management or the economic beneficiaries of companies assigned with such tasks may not be represented on the Foundation Board.

It must be possible to terminate asset management contracts within five years of conclusion without any negative impact for the Foundation or pension fund.

Quotes from competitors must be requested when there are significant legal transactions (especially with regard

to the conclusion of a global custody agreement, conclusion of contracts involving asset or property management and investment advice, or the purchase or sale of directly held real estate) with loved ones. There must be complete transparency when these contracts are awarded.

### **1. Proprietary trading**

The people and institutions entrusted with asset management must act in the interests of the pension fund or Foundation. In particular, they may not

- exploit knowledge about orders by the Foundation or pension fund for the prior, parallel or closely ensuing execution of concurrent proprietary transactions (front, parallel or after running).
- trade in a security or in an investment for as long as the Foundation or pension fund is trading in this security or investment and to the extent that this may be disadvantageous to the Foundation or pension fund. Other forms of participation in such transactions are equivalent to trading.
- reallocate the Foundation's or pension fund's deposits without an economic reason that is in its interests.

### **2. Disclosure of financial gains**

The people and institutions entrusted with the management of the Foundation's assets or those of the pension fund must set out the nature and amount of remuneration in a transparent manner in a written agreement. They must surrender to the Foundation or pension fund all the financial gains accrued in addition to this remuneration and associated with the performance of their activities for the Foundation or pension fund.

The guidelines on small gifts are included in Annex 4.

### **3. Disclosure**

- The people and institutions entrusted with the management and asset management must disclose their interests to the Foundation Board annually. In particular, these also include economic beneficiaries in companies that have a business relationship with the Foundation or pension fund. In the case of the Foundation Board, this disclosure is made to the auditors.
- The people and institutions entrusted with the management and asset management must annually submit to the Foundation Board a written declaration stating that they have surrendered all financial gains in accordance with Art. 48(k) OPO 2.

Only the following must be entrusted with investment and management of the pension assets as external persons and institutions:

- Banks in accordance with the Banking Act, Securities brokers in accordance with the Stock Exchange Act,
- Fund managers, asset managers of collective investments according to the Federal Act on Collective Investment Schemes,
- Insurance companies according to the Insurance Supervision Act,
- Asset managers according to Art. 48(f) OPO 2.
- Financial intermediaries operating abroad and who are subject to equivalent supervision by a recognised foreign supervisory authority

### **Art. 15 Entry into force**

These regulations were issued by the Foundation Board on 24 November 2021 and come into force on 1 January 2022. The German version is the definitive text for interpretation.

Zurich, 24 November 2021

## Annex 1

### Investment principles

#### 1. Cash and cash equivalents

Cash and cash equivalents include credit balances in bank accounts or accounts for employee benefits schemes, fixed-term deposits and fiduciary investments with a maximum term of 12 months, and money market instruments from issuers worldwide that are denominated in a freely convertible currency. Money market instruments are short-term receivables with a term or residual term that does not exceed 12 months and money market debt register claims. In these money market instruments must be liquid and eligible for valuation; they must be traded on a stock exchange or another regulated market that is open to the public.

#### 2. Mortgages and loans

In addition to collective investments such as mortgage funds or investment foundations, loans with real estate as collateral may be granted at market conditions to public corporations and private or semi-private companies with first-class credit ratings. The documents of title on residential buildings may be mortgaged up to a maximum of 70% of the market value and 60% for commercial buildings. Swiss mortgage bonds are treated as documents of title. The prior consent of the Foundation Board is required when issuing loans.

#### 3. Bonds and convertible bonds

Cash bonds, bonds, notes, documents of title, mortgage bonds, options and convertible bonds of the Swiss Confederation, the cantons and municipalities, other Swiss public corporations and private issuers with a minimum S&P rating of "BBB" may be acquired. Internal bank ratings will apply if no official ratings are available.

Foreign currency bonds must be denominated in a freely convertible currency and have a minimum rating of "BBB".

If a management mandate includes better minimum ratings, these must be specified in writing in each case. The average rating for bond portfolios and collective investment schemes must be investment grade. High yield bonds are only acceptable if such a quota is explicitly provided for in the investment strategy. The provisions according to number 9 apply for investments in emerging markets.

If the ratings fall below the minimum ratings according to the investment regulations, the investment manager must carry out the relevant risk assessment and submit this to the Investment Committee of Valitas collective Foundation LPP.

Investments in securities issued by the same debtor (with the exception of claims according to Art. 54(2) OPO 2) may not exceed 10% of the total assets. Preemptive rights and subscription rights remain reserved.

Provided that the above are the underlying investments, the following products may also be purchased:

- Index certificates and index baskets where the value is derived from the price of the underlying assets
- Other derivative financial instruments
- Structured financial products or investment certificates with or without capital guarantees
- Shares and investments from closed-ended funds or collective investment schemes with a similar function, including exchange traded funds (ETFs) and investment companies of issuers worldwide
- Shares and investments from open-ended funds worldwide

Direct investments are also permitted in addition to collective investments according to Art. 56 OPO 2. However, these must be securities that are traded on a stock exchange or another regulated market that is open to the public.

#### 4. Shares

Investments are generally made in equity securities and uncertificated securities (shares, profit sharing certificates or participation certificates, etc.) from companies worldwide. No more than 5% of the share capital of a company (either domiciled in Switzerland or abroad) may be acquired. The provisions according to number 9 apply for investments in emerging markets.

Provided that the above are the underlying investments, the following products may also be purchased:

- Index certificates and index baskets where the value is derived from the price of the underlying assets
- Other derivative financial instruments
- Structured financial products or investment certificates with or without capital guarantees
- Shares and investments from closed-ended funds or collective investment schemes with a similar function, including exchange traded funds (ETFs) and investment companies of issuers worldwide
- Shares and investments from open-ended funds worldwide

Direct investments are also permitted in addition to collective investments according to Art. 56 OPO 2. However, these must be securities that are traded on a stock exchange or another regulated market that is open to the public (for example, crossing networks).

In consultation with the Foundation and taking into account the individual risk capacity, the share quota for alternative investments may be increased in accordance with Art. 50(4) OPO 2 to a maximum of 75%. Convincing reasons justifying the use of the extension provisions are required in every case.

#### 5. Derivative financial instruments

Investments in derivative products are only permitted for the purpose of hedging existing positions or foreign exchange transactions, or in the form of covered options in compliance with Art. 56(a) OPO 2.

Overall, the use of derivative financial instruments may not present a leveraged effect on the assets or correspond to a short sale. Investments that require additional funding are not permitted.

When derivative financial instruments are included, the restrictions according to Art. 54, 54(a), 54(b) and 55 OPO 2 are to be followed. All current derivatives are specified in the notes to the Foundation's annual financial statements.

#### 6. Real estate

Real estate can be held either directly or indirectly (real estate funds, real estate companies or investment foundations).

The Foundation Board will decide on the purchase or sale of directly held real estate. Buildings that are eligible for purchase may include leased residential or commercial properties that are in sole ownership or jointly owned. Apartment complexes, individual owner-occupied dwellings, single family dwellings and holiday homes are excluded.

Purchasing land for building purposes, where this land is classified in the relevant building zone and has been purchased to carry out building projects, is only permitted in exceptional cases when a building project already exists.

Directly held real estate is limited to Switzerland. In this regard, the aim is to achieve an appropriate geographical spread. Direct investments abroad are prohibited. However, collective investments according to Art. 56

OPO 2 are permitted. Investments in individual real estate properties may not exceed 5% of the total assets.

In consultation with the Foundation and taking into account the individual risk capacity, the share quota for alternative investments may be increased in accordance with Art. 50(4) OPO 2 to a maximum of 40%. Convincing reasons justifying the use of the extension provisions are required in every case.

## 7. Infrastructure

According to Art. 53(1)(d) OPO 2, investments in energy infrastructure, mobility and utility infrastructure, as well as health infrastructure, are deemed to be infrastructure investments. These form a separate asset class with an upper limit of 10% of the total assets.

Investments in Switzerland and abroad are permitted. It is also possible to directly invest in infrastructure (Art. 53(2) OPO 2), if these investments have been appropriately diversified. Appropriate diversification means that the counterparty may not exceed 1% of the pension assets. Otherwise, these investments must be allocated to alternative investments.

Infrastructure investments with a leveraged effect continue to be regarded as alternative investments. This also means that, just as with shares according to Art. 53(1)(d) OPO 2, the use of debt financing in connection with an infrastructure company does not count as leverage. Therefore, these types of investments (for example, participation in such companies or projects) are infrastructure investments according to Art. 53(1)(d<sup>bis</sup>)– OPO 2. However, if the participations in this company or project are leveraged, for example at fund or fund of funds level, then this is considered leveraged. Short-term, conditional borrowing is permitted, however.

A leverage is still permitted as long as it cannot trigger a requirement for additional funds. However a financial vehicle leveraged in this way qualifies as an alternative investment according to Art. 53(5) OPO 2 (which is also the case with other traditional investments).

Listed, liquid shares in infrastructure companies continue to be allocated to the equities asset class. Listed, liquid infrastructure bonds in companies continue to be allocated to the bonds (fixed income) asset class.

## 8. Private debt/private equity, Switzerland

According to Art. 53(1)(d<sup>ter</sup>) OPO 2, investments in unlisted claims against debtors (private debt) or in investments in unlisted companies (private equity) are considered to be private debt/private equity CH. These investments must be domiciled in Switzerland and actively operate in Switzerland.

These form a separate asset class with an upper limit of 5% of the total assets.

Collective investments, direct investments or derivative financial instruments can be used for investment. If an investment involves a collective investment scheme, more than half of the capital in this collective investment must be invested in Switzerland. Investments can also be made directly if they are appropriately diversified. Appropriate diversification means that the counterparty may not exceed 1% of the pension assets. Otherwise, these investments must be allocated to alternative investments.

As with infrastructure investments, a private equity can borrow capital or take out credit like any other company. This is not considered to be leveraged. However, systematic leverage (to increase performance) at investment vehicle level is not permitted with respect to this new investment

class. These investments must otherwise be included in the alternative investments category. This means it is not permitted to use borrowed funds to increase the returns on an investment vehicle. This applies at both vehicle or fund level and fund of funds level. However, short-term, conditional borrowing is permitted. Financing hedged by capital commitments is not regarded as leverage. Nevertheless, no long-term debt positions may be set up.

Appropriately hedged bridge financing should not exceed a term of 0–6 months. In justified, exceptional cases, bridge financing can extend to 12 months.

## 9. Alternative investments

Investments in hedge funds, structured products, insurance linked securities, asset-backed securities, contingent convertible bonds (CoCos), commodities, infrastructure investments, (cf 7), perpetuums, private equities, senior secured loans, and established digital assets are alternative investments according to Art. 53(1)(e), (3) and(4). These are characterised by the fact that they tend to have a low correlation to traditional investments (bonds and equities). Investments that require additional funding, especially if they involve private equities, are not permitted. With respect to a private equity fund, the requirement hold a predetermined amount of capital, or commitment, that can be called in tranches is not an obligation to provide additional funding.

Investments in digital assets must be made indirectly and traded either on a stock exchange or another regulated market.

Investments in established digital assets that have not been diversified may not exceed 1% of the pension assets.

In consultation with the Foundation and taking into account the individual risk capacity, the share quota for alternative investments may be increased in accordance with Art. 50(4) OPO 2 to a maximum of 30% by applying the extension provisions under Art. 50(4) OPO 2. Convincing reasons justifying the use of the extension provisions are required in every case.

## 10. Special provisions

### Emerging markets

The percentage weighting of investments in emerging markets must take into account the increased risk of this asset class.

### Currency management

An overlay strategy can be employed to mitigate currency risk for all the foreign currency exposure. Only banks or brokers with an S&P rating of “A” or above will be considered as counterparties. The US dollar, Euro the British pound and the YEN are the four currencies that will be exclusively used as a currency hedge against the Swiss franc. Only products that are regularly traded or where the counterparty regularly provides a market price will be used for hedging transactions.

### Securities lending

Securities lending is permitted within the usual banking framework. The bank assigned with the securities lending must be instructed to ensure that the borrower always provides sufficient collateral of the appropriate quality. In addition, securities lending must not make it impossible to exercise voting rights at the general meeting. The regulations of the federal law on collective investment schemes apply analogously (Art. 55(1)(a) CISA (Swiss Collective Investment Schemes Act), SR 951.31; Art. 76 CIS, SR 951.311; Art. 1 et seqq. CIS-FINMA, SR 951.312). Compliance with the provisions on securities lending according

to Art. 1 et seqq. of the Swiss Financial Market Supervisory Authority Ordinance on Collective Investment Schemes is to be confirmed in the notes to the annual financial statements during the reporting year.

#### Repurchase transactions (repos)

Repurchase transactions are permitted within the usual banking framework but the Foundation may only act as the transferee (reverse repos). The regulations of the federal law on collective investment schemes apply analogously (Art. 55(1)(b) CISA, SR 951.31; Art. 76 CISO, SR 951.311; Art. 11 et seqq. CISO FINMA, SR 951,312). With the provisions on repos according to Art. 11 et seqq of the Ordinance of the Swiss Financial Market Supervisory Authority on Collective Investment Schemes is to be confirmed in the notes to the annual financial statements during the reporting year.

## Annex 2

### Model strategies

#### Fluctuation reserves

The fluctuation reserve targets are calculated in accordance with Art. 10 of the investment regulations as a percentage of the obligations (Art. 48e OPO 2).

#### Model strategy 1

##### (Target performance 3.0%)

Historical returns (arithmetic)	4.4%
Historical risk (volatility)	4.7%
Target returns as a percentage of the assets	3.0%
Safety level (fluctuation reserve)	98%
Time horizon	1 year
Fluctuation reserves target values	8.5%
Financing effect quota	7.5%

Investment class	Benchmark	Ranges	
		Minimum	Maximum
Money market, liquidity	1.0%	0.0%	10.0%
Bonds CHF	24.0%	0.0%	40.0%
Global bonds (hedged CHF)	14.0%	8.0%	34.0%
High yield bonds	5.0%	0.0%	10.0%
Emerging markets bonds (hedged CHF)	5.0%	0.0%	10.0%
Shares, Switzerland	7.5%	2.5%	10.0%
Shares, global	7.5%	2.5%	10.0%
Real estate, Switzerland, direct AST	10.0%	0.0%	15.0%
Real estate, Switzerland, indirect	8.0%	0.0%	10.0%
Real estate, foreign, indirect	4.0%	0.0%	10.0%
Infrastructure	2.0%	0.0%	5.0%
Private debt/private equity CH	0.0%	0.0%	5.0%
Alternative investments	12.0%	0.0%	15.0%

## Model strategy 2

### (Target performance 3.5%)

Historical returns (arithmetic)	4.7%
Historical risk (volatility)	5.7%
Target returns as a percentage of the assets	3.5%
Safety level (fluctuation reserve)	98%
Time horizon	1 year
Fluctuation reserves target values	11.1%
Financing effect quota	10.6%

Investment class	Benchmark	Ranges	
		Minimum	Maximum
Money market, liquidity	1.0%	0.0%	10.0%
Bonds CHF	21.0%	12.5%	37.5%
Global bonds (hedged CHF)	11.8%	6.0%	29.3%
High yield bonds	4.5%	0.0%	9.3%
Emerging markets bonds (hedged CHF)	4.5%	0.0%	9.3%
Shares, Switzerland	10.6%	5.0%	13.8%
Shares, global	10.6%	5.0%	13.8%
Real estate, Switzerland, direct AST	10.0%	0.0%	15.0%
Real estate, Switzerland, indirect	8.0%	0.0%	10.0%
Real estate, foreign, indirect	4.0%	0.0%	10.0%
Infrastructure	2.0%	0.0%	5.0%
Private debt/private equity CH	0.0%	0.0%	5.0%
Alternative investments	12.0%	0.0%	15.0%

### Model strategy 3

#### (Target performance 4.0%)

Historical returns (arithmetic)	4.9%
Historical risk (volatility)	6.8%
Target returns as a percentage of the assets	4.0%
Safety level (fluctuation reserve)	98%
Time horizon	1 year
Fluctuation reserves target values	14.0%
Financing effect quota	13.8%

Investment class	Benchmark	Ranges	
		Minimum	Maximum
Money market, liquidity	1.0%	0.0%	10.0%
Bonds CHF	18.0%	0.0%	35.0%
Global bonds (hedged CHF)	9.5%	4.0%	24.5%
High yield bonds	4.0%	0.0%	8.5%
Emerging markets bonds (hedged CHF)	4.0%	0.0%	8.5%
Shares, Switzerland	13.8%	7.5%	17.5%
Shares, global	13.8%	7.5%	17.5%
Real estate, Switzerland, direct AST	10.0%	0.0%	15.0%
Real estate, Switzerland, indirect	8.0%	0.0%	10.0%
Real estate, foreign, indirect	4.0%	0.0%	10.0%
Infrastructure	2.0%	0.0%	5.0%
Private debt/private equity CH	0.0%	0.0%	5.0%
Alternative investments	12.0%	0.0%	15.0%

#### Model strategy 4

##### (Target performance 4.5%)

Historical returns (arithmetic)	5.1%
Historical risk (volatility)	8.0%
Target returns as a percentage of the assets	4.5%
Safety level (fluctuation reserve)	98%
Time horizon	1 year
Fluctuation reserves target values	17.0%
Financing effect quota	16.9%

Investment class	Benchmark	Ranges	
		Minimum	Maximum
Money market, liquidity	1.0%	0.0%	10.0%
Bonds CHF	15.0%	7.5%	32.5%
Global bonds (hedged CHF)	7.3%	2.0%	19.8%
High yield bonds	3.5%	0.0%	7.8%
Emerging markets bonds (hedged CHF)	3.5%	0.0%	7.8%
Shares, Switzerland	16.9%	10.0%	21.3%
Shares, global	16.9%	10.0%	21.3%
Real estate, Switzerland, direct AST	10.0%	0.0%	15.0%
Real estate, Switzerland, indirect	8.0%	0.0%	10.0%
Real estate, foreign, indirect	4.0%	0.0%	10.0%
Infrastructure	2.0%	0.0%	5.0%
Private debt/private equity CH	0.0%	0.0%	5.0%
Alternative investments	12.0%	0.0%	15.0%

**Model strategy 5**  
**(Target performance 5.0%)**

Historical returns (arithmetic)	5.4%
Historical risk (volatility)	9.2%
Target returns as a percentage of the assets	5.0%
Safety level (fluctuation reserve)	98%
Time horizon	1 year
Fluctuation reserves target values	20.2%
Financing effect quota	20.0%

Investment class	Benchmark	Ranges	
		Minimum	Maximum
Money market, liquidity	1.0%	0.0%	10.0%
Bonds CHF	12.0%	0.0%	30.0%
Global bonds (hedged CHF)	5.0%	0.0%	15.0%
High yield bonds	3.0%	0.0%	7.0%
Emerging markets bonds (hedged CHF)	3.0%	0.0%	7.0%
Shares, Switzerland	20.0%	12.5%	25.0%
Shares, global	20.0%	12.5%	25.0%
Real estate, Switzerland, direct AST	10.0%	0.0%	15.0%
Real estate, Switzerland, indirect	8.0%	0.0%	10.0%
Real estate, foreign, indirect	4.0%	0.0%	10.0%
Infrastructure	2.0%	0.0%	5.0%
Private debt/private equity CH	0.0%	0.0%	5.0%
Alternative investments	12.0%	0.0%	15.0%

## Calculation basis

Investment class	Index
Liquidity	CHF Saron 3 M
Bonds CHF	Swiss Bond Index AAA-BBB TR
Global bonds hedged CHF	Barclays Global Aggregate TR CHF hedged
High yield bonds hedged CHF	Barclays Global High Yield TR CHF hedged
Emerging markets bonds hedged CHF	Barclays EM Intl Issue TR CHF hedged
Shares, Switzerland	Swiss Performance Index (SPI) TR
Shares, global	MSCI World NR in CHF
Real estate, Switzerland, direct AST	KGAST Real estate TR
Real estate, Switzerland, indirect	SIX Immofonds Index
Real estate, foreign, indirect hedged CHF	Cust. Real est. for. BM hedged CHF
Infrastructure	Cust. Infrastructure index hdg CHF
Private debt/private equity CH	Cust. PD/PE CH
Alternative investments (model strategy 1)	Alternatively: Libor CHF 3M +2.5% Vol max 8%
Alternative investments (model strategy 5)	Alternatively: Libor CHF 3M +3.5% Vol max 12%

## Annex 3

### Chart showing distribution of roles

Last updated 1 January 2015

Item	Role	FB	IC	IM	EX	AC
<b>1</b>	<b>Setting the investment guidelines</b>					
1.1	Decision on the long-term investment strategy, guidelines and Foundation's investment principles	D	S			
1.2	Preparation of and amendments to the investment regulations, the definition of responsibilities, the chart showing the distribution of roles and other guidelines	D	I		S	
1.3	Designation of the members of the Investment Committee.	D	P/I			
<b>2</b>	<b>Implementation of the investment strategy</b>					
2.1	Design of investment organisation (e.g. internal or external asset management, outsourcing of individual tasks)	D	P/I			
2.2	Determination of the pension fund risk profile and setting the required fluctuation reserves, realisation of the long-term investment strategy at Foundation and pension fund level	C	I		S	
2.3	Preparation and monitoring of the liquidity and investment plans	C	D/I	S		
2.4	Achievement of the target returns to finance the retirement pensions at Foundation level	D/C	I	S		
2.5	Stipulation of requirements and selection of investment managers, preparation of management mandates and cooperation agreements	D	P/I	S		
2.6	It submits proposals to the Foundation Board for the purchase and sale of real estate.	D	P/I			
2.7	Appointment of investment managers and the investment strategy at pension fund level	C	D	S		I

Item	Role	FB	IC	IM	EX	AC
<b>3</b>	<b>Reporting/controlling</b>					
3.1	Monitor and review asset investments (required/target returns), risk capacity and compliance with legal requirements, introduction of corrective measures	D/C	I		S	
3.2	Quarterly reporting to the Investment Committee and Administrative Commission about the investment activities and successes of the individual asset classes and the total assets in relation to the benchmark or the competition	D	C	I		C
3.3	Inform the Foundation Board about any special incidents that occur in asset management at Foundation and pension fund level	D/C	I			
3.4	Regular discussions with the asset managers		P/I			
3.5	Monitoring the securities accounting, cooperation with the auditors and experts		I		S	
3.6	Support management consultants with the acquisition and support of pension funds		I	S		

#### Roles

D Decision  
P Planning Initiative  
I Implementation  
C Controlling  
S Support

#### Positions

FB The Foundation Board  
IC Investment Committee  
IM Investment Manager  
EX Pension fund expert  
AC Administrative Commission

## Annex 4

### Small gifts

Small gifts and the customary, occasional gifts do not have to be disclosed although the following rule applies:

- Small or customary, occasional gifts (including invitations) refer to one-off gifts with a maximum value of CHF 200 for each occasion and CHF 1,000,00 per year and business partner, but amounting to no more than CHF 2,500 per year. Small or customary, occasional gifts are permitted and do not have to be declared.
- Invitations to events, such as specialised seminars that primarily benefit the Foundation or pension fund are treated as occasional gifts if they do not take place more than once a month. The permitted events are usually limited to one day. They are not valid for an accompanying person and must be accessible by private car or public transport. They may be followed by a social event at lunchtime or in the evening.
- Gifts and invitations that exceed the limits for each occasion or per year according to points 1 and 2 may be permitted if they have been approved by the Foundation Board. These must be declared.
- Financial gains in the form of cash benefits (vouchers or remuneration), kickbacks, retrocessions and similar payments that are not based on a written agreement concluded with the Foundation Board, as well as private invitations with no apparent business purpose (for example, to concerts or exhibitions etc.) must be handed over to the Foundation or pension fund.
- If there has been a wrongful failure to deliver financial gains, the Foundation or pension fund is required to immediately recover the monetary value and is entitled to impose penalties that may, on a case-by-case basis, extend to the termination of an employment relationship or a contract and filing a complaint for misappropriation of assets.

## Annex 5

### Asset management form

The following people are entrusted with asset management:

Surname	Address
<b>Internal persons</b> (State name of natural person)	
▪ Internal person 1	▪ (...)
▪ Internal person 2	▪ (...)
▪ etc.	▪ (...)
<b>External persons</b> (State name of legal entity)	
▪ Asset manager 1	▪ (...)
▪ Asset manager 2	▪ (...)
▪ etc.	▪ (...)
▪ Property management	▪ (...)
▪ Global custodian	▪ (...)
▪ Investment controller	▪ (...)

