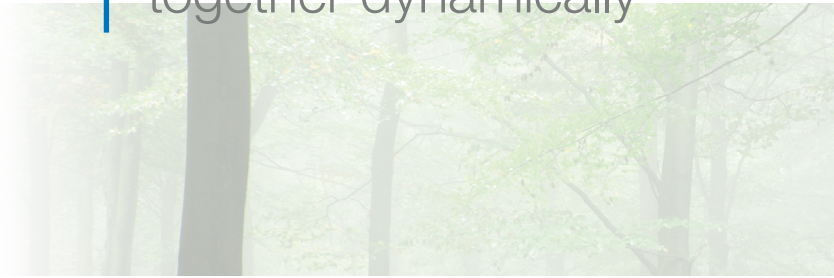


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Provisions Regulations

Compacta collective Foundation LPP

With effect from 31 December 2023

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Art. 1 Principles and objectives

In accordance with Article 48(e) OPO 2 (Swiss Occupational Pension Ordinance 2) and with due regard to Article 65(b) OPA (Occupational Pensions Act), the Foundation Board of Compacta collective Foundation LPP (subsequently referred to as the “Foundation”) regulates the formation of the technical provisions and reserves required to guarantee the certainty that the obligations towards the active insured persons and pension recipients will be met.

According to Article 47 OPO 2, occupational pension schemes must prepare and structure annual financial statements so that they satisfy the Swiss GAAP FER 26 accounting and reporting recommendations. Accordingly, the liabilities side of the Foundation's annual financial statement comprises the following items, whereby it is possible to distinguish between the actuarially required pension capital and provisions (a to c), other reserves required to safeguard the obligations (d) and the free resources (e):

- a. Pension capital of active insured persons
- b. Pension capital of pension recipients
- c. Technical provisions
- d. Reserves
- e. Free resources

For pension schemes with pooled investments, the Foundation reports the items on the liabilities side separately in the explanatory notes to the financial statements.

The pension capital of active insured persons and the pension capital of pension recipients are the amounts the occupational pensions expert has determined as necessary to safeguard the vested rights.

Technical provisions are the reserved amounts required to meet an existing or foreseeable obligation that has a

negative impact on the Foundation's financial situation according to Article 44 OPO 2. The aim is to guarantee with certainty that the assumed obligations towards the active insured persons and pension recipients can be settled. A technical provision is formed irrespective of the Foundation's financial situation. When calculating the coverage according to Article 44 OPO 2, provisions are factored in as an obligation.

To further strengthen its financial position, the Foundation may also build up reserves in addition to the technical provisions. In this context, reserves (for example, value fluctuation reserves) refer to specifically reported amounts.

The amounts of pension capital and technical provisions are determined by the expert for compliance with Swiss occupational pension laws and regulations; they comply with recognised principles while taking into account the guidelines of the Swiss Chamber of Pension Fund Experts and are based on generally accessible actuarial principles. The principle of consistency is to be observed in this regard.

Art. 2 Provisions policy

The Foundation uses the actuarial bases of OPA 2020 as a generation table. The collective method is used to determine the present value of reversionary benefits.

The Foundation currently applies a technical interest rate of 2.00%. The Foundation sets the technical interest rate on the basis of the occupational pensions expert's recommendations. After consulting the Foundation's expert, the Foundation Board can specify other, and above all, new bases and/or set a different technical interest rate simply by decision of the Foundation Board.

Art. 3 Technical provisions

The technical provisions according to actuarial requirements must be recognised at their target level, irrespective of the annual results.

The occupational pensions expert is involved in determining the level of technical provisions, which is based on the actuarial appraisal. The technical provisions of the Foundation comprise:

- a. the provisions for retirement losses.
- b. Provision for a small number of pensioners
- c. Provision for future adjustments for inflation

In the event of unforeseen or special circumstances, the Foundation may create additional provisions, partially or fully release existing provisions, allocate less funding than the amount required for the provisions or gradually build them up. This will be based on the occupational pensions expert's written and justified recommendations and comply with recognised principles.

1. Provision for retirement losses

The target levels of provision for retirement losses take into account the anticipated annual expenditure incurred by the Foundation as a result of retirements. The calculation is based on the capitalised difference between the projected regulatory retirement pension at the time of normal retirement and the actuarially correct, projected retirement pension according to the bases applied by the Foundation at the time of normal retirement. Any top-ups to OPA minimum benefits are taken into account. A provision is built up for all insured person aged 58 and above. A capital withdrawal rate is taken into account.

2. Provision for a small portfolio of pensioners

In the case of small pensioner portfolios, empirical values may deviate greatly from the technical bases. For this reason, an appropriate provision is created to take into account deviations from the anticipated values of the technical bases. The occupational pensions expert periodically reviews the target figure and level of the provision and adjusts them to the current circumstances. The following formula is used to calculate the target figure for the provision (PR), whereby n represents the number of pensioners (excluding the retired person's children's benefit):

$$PR = \frac{\text{pension capital}}{2 \cdot \sqrt{n}}$$

3. Provision for future inflation adjustments

According to directives of the Swiss Federal Council, the Foundation is obliged to make cost of living adjustments to statutory survivors' and disability pensions when their maturity has exceeded three years. However, regulatory pensions will only be adjusted if and to the extent that they fall below the statutory minimum pension. Provisions will not be created for statutory inflation adjustments to survivors' and disability pensions that are covered by reinsurance, including inflation risk insurance.

The target level of provision is calculated by the expert.

4. Other provisions

Any further technical provisions (for example, for pending disability cases, partial liquidation or technical interest rate reductions etc.) must be created according to professional principles. The occupational pensions expert is involved in the review of the levels as well as the creation and release of provisions.

The creation of additional provision(s) must be explained in the notes to the annual financial statements. If such provisions are created on a permanent basis, they are to be included in the Provisions Regulations.

Art. 4 Non-technical provisions

Non-technical provisions are only created when there is an identified need and in compliance with the regulations of Swiss GAAP FER 26.

Art. 5 Value fluctuation reserves

Value fluctuation reserves are formed on the liabilities side of the financial balance sheet to compensate for fluctuations in value on the assets side.

The target level of value fluctuation reserves is set out in the Investment Regulations.

Art. 6 Free resources

Free resources can be recognised provided that all the technical provisions and value fluctuation reserves have been replenished to their target levels.

The Foundation Board will decide on how the Foundation's free resources are to be utilised within the framework of the financial options available to the Foundation.

Art. 7 Insurance policy surpluses

If surpluses become payable as a result of reinsurance policies that the Foundation has arranged with insurance companies, the Foundation Board will determine how these are to be used. In doing so, the financial needs of the Foundation, especially the need to replenish provisions and reserves, will be prioritised.

Art. 8 Review

The occupational pensions expert's report will comment on provisions and value fluctuation reserves periodically, and at least every three years. The Regulations are to be adapted to new circumstances on the basis of the expert's assessment.

Art. 9 Entry into force

These Regulations will come into force on 31.12.2023 and replace the provisions regulations of 5.11.2020. They have therefore been applied to the accounting for the financial statement of 31.12.2023. The Foundation Board can change the Provisions Regulations at any time. Regulations that have been amended must be submitted to the supervisory authority. The German version is the definitive text for interpretation.

Aarau, 14 December 2023

The Foundation Board

Compacta collective Foundation LPP

February 2024