



# Investment Regulations

AXA Foundation for Occupational Benefits, Winterthur

## 1. Principles

The present Investment Regulations govern the investment of the collective foundation assets. They specify the objectives, principles, guidelines, duties and authorities which apply when managing the assets of the AXA Foundation for Occupational Benefits (referred to below as the “Foundation”) in accordance with the statutory requirements (Art. 51a para. 2 letters m and n, BVG (Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans), and Art. 49a paras. 1 and 2, BVV 2 (Federal Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans)).

Investment of the unallocated assets of an occupational benefits fund, which is effected within the framework of a pension solution approved by the Board of Trustees and under the Occupational Benefits Fund Commission's own responsibility, is governed by the separate Custom Invest Investment Regulations.

Asset management is focused solely on the interests of the beneficiaries.

The Foundation is aware of its ethical, ecological, and social responsibilities as investor, and incorporates these into investment decisions where possible. The Foundation selects, manages and monitors its investments with due care. It ensures that its objective of pension provision is certain to be achieved. This certainty is to be assessed, in particular, in consideration of all assets and liabilities, as well as the structure and anticipated development of the portfolio of insured persons (Art. 50 paras. 1 and 2, BVV 2).

Responsibility rests with the most senior governing body, which invests the assets transparently in accordance with the criteria of appropriate risk distribution, guaranteed liquidity for the provision of insurance benefits and vested benefits, as well as the objective of achieving a suitable return, based on the present Regulations (Art. 51a para. 2 letters m and n, BVG, and Art. 50 para. 3, Art. 51 and Art. 52, BVV 2).

All parties entrusted with general management and asset management are obliged to comply with Art. 48f (incl. Art. 48h-l), BVV 2 (integrity and loyalty of the responsible parties) as well as with any additional regulations relevant to the Foundation.

The aim of asset management is to ensure that the Foundation's financial equilibrium can be enhanced on a sustainable basis. In the event of underfunding, the Board of Trustees as the most

senior governing body, together with the pension actuary and the Independent External Investment Expert, shall evaluate measures pursuant to Art. 65d, BVG for the purpose of restoring financial equilibrium.

The assets are to be managed in such a way that

- the promised benefits can be paid out on schedule at all times,
- the risk capacity as set out in the investment policy is complied with, thus ensuring nominal security of the promised benefits,
- the total return (current income plus any value adjustments) is maximized within the scope of the risk capacity so that the greatest possible contribution towards preserving the real value of the promised pension benefits can be achieved over the long term.

The Foundation's risk capacity is dependent in particular on its financial situation, as well as on the structure and stability of the portfolio of beneficiaries.

Investments are

- spread across various asset classes, markets, currencies, industries and sectors,
- made in assets which generate a total return in line with the market.

For the purposes of implementing its investment strategy, the Foundation makes use of the following resources:

- an investment organization and rules on powers of authorization which ensure an efficient decision-making process structured in accordance with the dual control principle.
- a level-appropriate management information concept designed to ensure that the bodies responsible are in possession of meaningful information relevant to their management role.
- planning and monitoring tools, in particular a liquidity plan and regular analyses of the investment results and risk capacity, in order to determine the requirements to be met by the investment strategy and to verify goal attainment.

All function names refer to both genders.

The term “asset manager” used in these Investment Regulations refers to external asset managers within the meaning of Art. 48f (4) BVV 2 and financial services providers within the meaning of Art. 2 FinIA.

## 2. General investment guidelines

All statutory provisions, in particular the investment regulations as per BVG and BVV 2, the directives and recommendations of the competent authorities and – if applicable – the trading rules resulting from the Financial Market Infrastructure Act (FinMIA) / Financial Market Infrastructure Ordinance (FinMIO) must be observed at all times. If the option to broaden the scope of possible investments defined in Art. 50 para. 4, BVV 2 is utilized, the reasons required for such broadening must be presented.

In accordance with the legal provisions, the Foundation adopts an investment strategy (strategic asset allocation) which is tailored to the risk capacity as set out in the investment policy and which factors in the long-term risk/return characteristics of the various asset classes.

The investment strategy is reviewed and adapted as required by the Foundation at least once every 3 years, or when necessitated by exceptional events. At the same time, it must be ensured that the investment of assets is compatible in the medium to long term with the Foundation's obligations (Art. 51a para. 2 letter n, BVG). The applicable strategic asset structure is shown in Appendix 1. The relevant guidelines and restrictions always refer to market values (cf. Appendix 2) or to a special collateral management system for derivatives (Appendix 4, No. 4).

Specific guidelines are issued for the individual asset classes; these are provided in Appendix 4 and Appendix 5.

## 3. Duties and authorities

The management organization in the Foundation's asset management department comprises these three tiers:

- Board of Trustees
- Investment Committee
- General Manager

Reporting is compliant with section 4 of these Investment Regulations.

### 3.1. Board of Trustees

#### 3.1.1. Composition

The composition of the Board of Trustees is defined in the deed of foundation.

### 3.1.2. Main duties and authorities in the area of investment

#### 3.1.2.1. Investment strategy

The Board of Trustees:

- approves the long-term investment strategy (Arts. 50 - 52, BVV 2) and the Investment Guidelines, and decides on any broadening thereof as per Art. 50 para. 4, BVV 2.
- is responsible for the conclusive presentation of any broadening of the scope of investments as per Art. 50 para. 4, BVV 2 in the annual report.
- at least once every 3 years, or as required by exceptional events, reviews the long-term investment strategy, taking account of Art. 50 para. 2, BVV 2.
- monitors the correct implementation of the long-term investment strategy and compliance with the Investment Guidelines.

#### 3.1.2.2. Implementation

The Board of Trustees:

- may, within the scope of the principles, objectives and guidelines, delegate the authority to implement the investment strategy to an Investment Committee, a Global Custodian (central depository), a Fund Manager and/or to an Asset Manager, and shall define the requirements for these individuals and institutions (Arts. 48f, BVV 2 and Art. 49a para. 2 letter d, BVV 2).
- decides on the admissibility of securities lending and repurchase agreements.
- controls and monitors the exercise and assertion of the Foundation's shareholder rights (Art. 71a, BVG and Art. 49a para. 2 letter b, BVV 2). The Board reports to the insured persons on this aspect at least once a year.
- decides on the Asset Manager (cf. the section on "The Asset Manager") with whom the Foundation is to collaborate, and regulates said Asset Manager's activities by means of a clearly defined management mandate and specific Investment Guidelines.
- ensures that transparent arrangements are agreed with the Asset Manager regarding third-party benefits (e.g. retrocessions, discounts, price reductions, non-monetary benefits, etc.).
- monitors compliance with the requirements regarding conflicts of interest (Art. 48h, BVV 2) and the handling and surrender of pecuniary advantages (Art. 48k, BVV 2).
- monitors implementation of the disclosure obligation (Art. 48l, BVV 2).
- monitors compliance with the provisions of the Financial Market Infrastructure Act (FinMIA).

- in fulfillment of its obligations arising from Art. 113 para.1, FinMIO in connection with the use of derivatives subject to the FinMIA/FinMIO, defines the relevant rules and obligations in these Investment Regulations.
- may issue additional guidelines on the management of individual asset classes or investment instruments.

### 3.1.2.3. General

The Board of Trustees

- bears overall responsibility, as per Art. 51a, BVG, for the management of the assets and performs the duties which can neither be transferred nor withdrawn, as per Art. 51a para. 2, BVG.
- stipulates the principles and objectives of the management of assets within the scope of the regulations stated in Art. 51a para. 2 letter m, BVG and Arts. 50, 51 and 52, BVV 2.
- decides on the scope of the fluctuation reserves in accordance with the investment strategy, at the request of the Investment Committee.
- appoints the members and chair of the Investment Committee and the Independent External Investment Controller, and also the Independent External Investment Advisor.

## 3.2. Investment Committee

### 3.2.1. Composition

The Investment Committee consists of members of the Board of Trustees, the General Manager (in an advisory capacity), and the Independent External Investment Controller. The Board of Trustees may appoint further internal or external specialists (with or without voting rights) to the Investment Committee.

### 3.2.2. Main duties and authorities

#### 3.2.2.1. General

The Investment Committee:

- monitors implementation by the Asset Manager of the strategic asset structure defined by the Board of Trustees.
- requests modifications to the long-term investment strategy and prepares the basis for decisions regarding the definition of the long-term investment strategy.
- ensures compliance with the trading rules as per FinMIA/FinMIO in connection with the use of derivatives subject to the provisions thereof, and reports regularly to the Board of Trustees in this regard.

- convenes at least four times per year and may be convened by one member at any time if necessary.
- keeps records of resolutions adopted at each meeting, with a copy sent to the Board of Trustees.

### 3.2.2.2. Duties of the Investment Committee

The Investment Committee prepares the following items for the Board of Trustees:

- asset/liability studies
- amendments to the Investment Regulations
- amendments to the Investment Guidelines
- structure and development of the assets (implementation of the investment strategy) in collaboration with the Asset Manager
- recommendations regarding the scope of securities lending and repurchase agreements
- handling of the Foundation's voting and electoral behavior
- recommendations for any corrective measures required on the basis of the Asset Manager's investment performance
- recommendations for any corrective measures required in connection with the liquidity and investment plan drawn up by the General Manager
- reporting on dialog conducted with the Asset Manager

## 3.3. General Manager

The main duties and authorities of the General Manager with regard to investments include the following in particular:

### 3.3.1. Investment strategy

The General Manager:

- monitors the compliance of investment activities undertaken with the provisions of the Regulations and the law, and informs the Board of Trustees accordingly.

### 3.3.2. Implementation

The General Manager:

- is responsible for allocating the available resources to the Asset Manager within the requirements specified by the Board of Trustees.
- obtains liquid resources from the Asset Manager as instructed by the Investment Committee.
- is responsible for drawing up the budget and for planning and control of liquidity, and optimizes the operative liquidity.

- requires all parties and institutions entrusted with asset management to submit an annual written declaration regarding personal pecuniary advantages (Art. 48l para. 2, BVV 2) and reports to the Board of Trustees in this regard.
- is responsible for the administrative and operational implementation of the requirements stipulated by law and by the Regulations concerning compliance with the trading rules as per FinMIA/FinMIO, and reports regularly to the Investment Committee in this regard.
- is responsible for the administrative implementation of the requirements stipulated by law and by the Regulations regarding the exercise of the Foundation's shareholder rights as per no. 6 and Appendix 4, nos. 5 and 6, and regularly reports to the Investment Committee in this regard.

### 3.3.3. General

The General Manager:

- is an advisory member of the Investment Committee.
- prepares the meetings of the Investment Committee.
- is the point of contact for the Global Custodian, the Fund Manager and the Asset Manager.

### 3.4. Independent External Investment Advisor

The main duties and authorities of the Independent External Investment Advisor are stipulated in a written mandate agreement, and they comprise the following in particular:

#### 3.4.1. Investment strategy

The Independent External Investment Advisor:

- assists the responsible bodies/individuals with implementing the investment strategy.
- prepares the basis for decisions on the development of a risk-compliant investment strategy, as required.
- prepares the basis for decisions on optimizing the investment strategy in view of the benefit obligations, as required.
- calculates the necessary strategy-related fluctuation reserves each year, and compares them with the available reserves.
- assists the General Manager with verifying adherence to the provisions stipulated by the Regulations and by law in the performance of the investment activities.

### 3.5. Independent External Investment Controller

The main duties and authorities of the Independent External Investment Controller are stipulated in a written mandate agreement, and they comprise the following in particular:

#### 3.5.1. Implementation of the investment strategy and investment activities

The Independent External Investment Controller:

- assists the responsible bodies/individuals with organizing and monitoring the Asset Manager's investment activities.
- is responsible for prompt and correct controlling of the Asset Manager's investment activities.
- reviews the appropriateness of the mandate provisions and Investment Guidelines at least once every 2 years.

#### 3.5.2. General

The Independent External Investment Controller:

- is at the disposal of the Board of Trustees, the Investment Committee and the General Manager to discuss and answer questions regarding asset management.
- may contact the Chair of the Board of Trustees at any time, as necessary.

### 3.6. Asset Manager

Only persons and institutions that satisfy the requirements of Art. 48f para. 2, BVV 2 (incl. Art. 48h-I, BVV 2) as well as Art. 48f para. 4 are entrusted with asset management.

#### 3.6.1. Main duties and authorities

The Asset Manager:

- is responsible for managing the assets within the scope of a clearly defined management mandate.
- performs investment activities on the basis of agreed guidelines and requirements.
- reports regularly to the Board of Trustees and the Investment Committee on the performance of the assets. For this purpose, he draws up a report on his activities during the reporting period and, as required, reports verbally to the Board of Trustees and the Investment Committee.

### 3.6.2. Responsibility for target attainment and assessment criteria

- Long-term outperformance of the benchmark return after costs
- Target attainment is assessed according to the return and risk characteristics of the agreed benchmark
- Quality of collaboration

### 3.6.3. Principles for selection, award of mandate, and monitoring

#### 3.6.3.1. Principles for selection

The Asset Manager is chosen on the basis of a documented and transparent process. Market compliance of the asset management mandate is reviewed regularly by the Board of Trustees.

Banks and asset managers that meet the requirements as per Art. 24, FinIA, Art. 48f para 2 and para. 4, BVV 2, and also the criteria listed below, may be considered for appointment as External Asset Managers:

- stable organization and adequate resources (infrastructure, employees).
- comprehensible and transparently presented investment approach, and clearly structured processes.
- ability to collaborate in the proper manner with the Global Custodian and the Fund Manager.
- above-average training and experience of persons responsible for the mandate.
- clearly defined responsibilities, including those of the specialists responsible for the mandate (main individual responsible and deputy).
- asset management fees for institutional clients in line with the market.

#### 3.6.3.2. Principles for award of mandate

The mandate to the Asset Manager is issued on the basis of a detailed written mandate description and, in addition to the general agreements, it must also regulate at least the following aspects in writing:

#### Legal aspects

- Applicable legal provisions
- Implementation of the provisions as per the Regulations or of internal provisions regarding asset management by means of instructions to the Asset Manager
- Confirmation of compliance with the requirements as per Art. 48f para. 4, BVV 2

- Principle of personal execution, and/or arrangements for substitution/delegation
- Due diligence and liability
- Best execution
- Integrity and loyalty (obligation to comply with Art. 48f-I, BVV 2) and the SFAMA (Swiss Funds & Asset Management Association) Charter or equivalent regulations
- Obligation not to accept third-party benefits (retrocessions / commissions / discounts / soft commissions, etc.) and to disclose any third-party benefits which are not explicitly agreed by contract, and to pass on such benefits in full
- Obligation to report every year in detail on compliance with Art. 48f-I, BVV 2, specifically on the handling of own-account trading (Art. 48j, BVV 2) and conflicts of interest (Art. 48h, BVV 2) and on the pecuniary advantages as per Art. 48k and I, BVV 2
- Handling of membership and creditors' rights (including shareholders' rights)
- Confidentiality/secretcy
- Applicable law/place of jurisdiction
- Termination (with appropriate notice period)

#### Investment-specific aspects

- Start (transition period) of mandate
- Initial volume
- Investment goal
- Benchmark (benchmark index)
- Reference currency: CHF
- Risk restriction (e.g. max. investment degree of 100%, prohibition of leverage)
- Permissible investments / Investment Guidelines (as per Appendix 4)
- Use of derivative instruments (as per Appendix 4, no. 4; only on the basis of coverage at all times)
- Pursuit of a "Best-in-class approach" to the selection of investments, including documentation of the selection process for investments (e.g. if third-party funds are used)
- Documentation of the approach to environment, social and governance (ESG) criteria in the investment process
- Use of collective investment schemes (as per Appendix 4)
- Disclosure obligations/information obligations (as per no. 4)
- Fees/costs (conclusive list)
- Taxes/duties
- Personnel responsibilities/changes relating to the Asset Manager
- Collaboration with the Global Custodian and/or the Fund Manager

### **3.6.3.3. Principles for monitoring**

The Asset Manager is monitored on an ongoing basis as part of the investment controlling process. The necessary information is provided by the Custodian Bank, the Asset Manager, the Global Custodian, the Fund Manager and the Independent External Investment Controller.

### **3.7. Global Custodian**

The Global Custodian (central depository) is responsible for the proper execution of basic global custody services.

The duties of the Global Custodian are regulated in a written mandate agreement.

### **3.8. Fund Manager**

The Fund Manager is responsible for proper execution of the duties stipulated by the Federal Collective Investment Schemes Act (CISA) and the Federal Collective Investment Schemes Ordinance (CISO).

The client-specific duties of the Fund Manager are regulated in a written service contract.

## **4. Monitoring and reporting**

The information reported must be commensurate with the recipients' specific levels of authority, in order to ensure that they can meet the management responsibilities assigned to them.

Investments and their management are to be monitored on an ongoing basis. Regular level-appropriate reporting is required regarding the various issues monitored so that the responsible governing bodies have meaningful information at their disposal. Reporting is based on the concept shown below.

When?	Who?	For whom?	What?
Month	Global Custodian	Investment Committee (including General Manager)	<ul style="list-style-type: none"> <li>- Asset statements</li> <li>- Performance report</li> <li>- Transactions</li> </ul>
		Investment Controller	
	Fund Company	Investment Committee (incl. General Manager)	<ul style="list-style-type: none"> <li>- Provision of fact sheets</li> <li>- Compliance report</li> <li>- Performance (at all levels)</li> </ul>
		Investment Controller	<ul style="list-style-type: none"> <li>- Asset structure</li> <li>- Structural analyses</li> </ul>
Asset Manager		Investment Committee (including General Manager)	<ul style="list-style-type: none"> <li>- Asset Manager's Report</li> </ul>
		Investment Controller	
	Investment Controller	Investment Committee (including General Manager)	Investment Controlling Report: <ul style="list-style-type: none"> <li>- assessment of performance and risk</li> <li>- assessment of investment activities</li> <li>- recommendations for action</li> </ul>
Quarter	Asset Manager	Investment Committee (including General Manager)	<ul style="list-style-type: none"> <li>- Report on investment activities</li> <li>- Reasons for deviation in performance</li> </ul>
		Investment Controller	
Investment Controller		Investment Committee (including General Manager)	Investment Controlling Report: <ul style="list-style-type: none"> <li>- compliance with relevant statutory requirements</li> <li>- compliance with strategic bandwidths</li> </ul>
		Board of Trustees	<ul style="list-style-type: none"> <li>- assessment of performance and risk</li> <li>- assessment of investment activities</li> <li>- assessment of the Compliance Report by the fund company</li> <li>- recommendations for action</li> </ul>
Year	Asset Manager	General Manager, f.a.o. Board of Trustees	Detailed reporting on compliance with Art. 48f-I, BVV 2, specifically on the handling of own-account trading (Art. 48j, BVV 2) and conflicts of interest (Art. 48h, BVV 2) and on the pecuniary advantages as per Art. 48k and I, BVV 2.
	Global Custodian		
	Fund Manager		
	Investment Controller		
	Investment Committee	Board of Trustees	Information regarding: <ul style="list-style-type: none"> <li>- investment activities and investment performance in the preceding year.</li> <li>- the Foundation's voting and electoral behavior at general meetings (if relevant).</li> </ul>
	General Manager on behalf of the Board of Trustees	Beneficiaries	Information regarding: <ul style="list-style-type: none"> <li>- investment activities and investment performance in the preceding year.</li> <li>- the Foundation's voting and electoral behavior at general meetings (if relevant).</li> </ul>
Fund Manager	Board of Trustees	Reporting at the invitation of the Board of Trustees	
Investment Controller	Board of Trustees	Reporting at the invitation of the Board of Trustees	



## **5. Governance**

### **5.1. General**

The Foundation takes suitable organizational measures to implement the following governance regulations (Art. 49a para. 2 letter c, BVV 2) and ensures that an adequate Internal Control System is in place (see Art. 52c para. 1 letter c, BVG).

### **5.2. Integrity and loyalty**

All parties involved in asset management for the Foundation must enjoy a good reputation and provide assurance of proper business conduct (Art. 51b para. 1, BVG). They are under a strict obligation to maintain confidentiality.

Furthermore, they are subject to fiduciary due diligence obligations and must act in such a way as to safeguard the interests of the Foundation's insured persons. Accordingly, the investment of assets must solely serve the interests of the Foundation. For this reason, they must ensure that no conflicts of interest arise due to their personal or business circumstances (Art. 51b para. 2, BVG).

### **5.3. Requirements to be met by Asset Managers**

If the Foundation's Asset Manager tasks a third party with asset management, the requirements of the present no. 5.3. also apply to such a third party.

The parties entrusted with asset management are obliged to comply with the provisions of Art. 51b para. 2, BVG and Art. 48f-I, BVV 2 ("Integrity and loyalty") and the "SFAMA Code of Conduct" or equivalent rules.

Swiss External Asset Managers (Art. 48f para. 4 letters a to g, BVV 2) may only be registered occupational benefits institutions as per Art. 48, BVG, investment foundations as per Art. 53g, BVG, public-law insurance institutions as per Art. 67 para. 1, BVG, banks as per the Banking Act, securities brokers as per the Stock Exchange Act, securities firms as per Art. 41, FinIA, fund management companies as per Art. 32, FinIA, managers of collective assets as per Art. 24, FinIA, or insurance companies as per the Insurance Supervision Act.

Foreign External Asset Managers must be subject to a foreign supervisory authority (Art. 48f para. 4 letter h, BVV 2). This does not apply in the case of financial products in which direct investments are

made (without an asset management mandate). Investments in such products are only permitted if there is no regulated alternative. Regardless of their country of domicile and supervisory authority, these Asset Managers must enter into a contractual obligation to comply with the integrity and loyalty provisions as per Art. 48f-I, BVV 2.

### **5.4. Avoidance of conflicts of interest on concluding legal transactions**

Legal transactions concluded by the Foundation must conform to conditions in line with the market (Art. 51c para. 1, BVG). It must be possible to terminate contracts relating to the management of the assets no later than 5 years after they are concluded, without disadvantages for the occupational benefits institution (Art. 48h para. 2, BVV 2).

External parties entrusted with asset management or beneficial owners of companies charged with this task may not be represented in the most senior governing body of the institution (Art. 48h para. 1, BVV 2).

In the case of significant transactions with related parties, competing offers must be obtained. The award process must be fully transparent (Art. 48i para. 1, BVV 2). All activities associated with asset and real estate management are deemed to be significant transactions. Related parties include, in particular, spouses, registered partners, life partners, relatives up to the second degree of kinship, as well as legal entities in which a beneficial ownership exists (Art. 48i para. 2, BVV 2).

Parties and institutions entrusted with asset management must act in the interests of the Foundation. In particular, they may not:

- exploit knowledge of orders placed by the institution in order to carry out advance, parallel or immediately subsequent own-account trading (i.e. front running, parallel running, after running) (Art. 48j letter a, BVV 2).
- trade in a security or an investment for as long as the institution trades with this security or investment and insofar as the institution could be disadvantaged as a result; participation in different forms of such transactions is deemed to be the same as trading (Art. 48j letter b, BVV 2).
- restructure the institution's custody accounts without an economic reason that is in the institution's interest (Art. 48j letter c, BVV 2).

## **5.5. Compensation and surrender of pecuniary advantages**

The compensation of parties and institutions entrusted with the management of the Foundation's assets must be clearly identifiable and conclusively regulated in a written agreement (Art. 48k para. 1, BVV 2).

Pecuniary advantages which they have additionally received in connection with the performance of their activities on behalf of the Foundation must, as a mandatory requirement, be surrendered to the Foundation in full (Art. 48k para. 1, BVV 2, also Art. 321b para. 1 and Art. 400 para. 1 of the Swiss Code of Obligations (SCO)), i.e. all parties and institutions involved in the management of the assets are expressly forbidden to accept retrocessions, kickbacks, discounts, benefits and the like in any form whatsoever.

External parties and institutions charged with the brokerage of legal transactions must provide information about the nature and origin of all compensation they receive for their brokerage activities on first contact with the customer. The manner in which such compensation is paid must be regulated in a written agreement that is to be disclosed to the Foundation. The payment and acceptance of supplementary volume- or growth-based compensation is prohibited (Art. 48k para. 2, BVV 2).

Parties and institutions entrusted with the management of the Foundation's assets must submit to the Board of Trustees, as the most senior governing body, an annual written declaration stating whether and which pecuniary advantages they received (where not contractually fixed as compensation pursuant to the present clause) and/or stating that they surrendered all pecuniary advantages pursuant to Art. 48k, BVV 2 to the Foundation (48l para. 2, BVV 2).

## **5.6. Disclosure obligations**

Parties and institutions charged with a general management or asset management function must disclose their interests annually to the Board of Trustees. These include, in particular, beneficial ownership of companies that have a business relationship with the institution. The Board of Trustees makes this disclosure to the statutory auditors (Art. 48l para. 1, BVV 2).

Legal transactions entered into by the Foundation with members of the Board of Trustees, with affiliated employers, or with natural persons or

legal entities entrusted with a general management or asset management function, as well as legal transactions entered into by the Foundation with natural persons or legal entities that are related to the above-mentioned persons and entities, must be disclosed to the statutory auditors at the time of the annual audit of the annual financial statements (Art. 51c para. 2, BVG).

The names and functions of any experts, Investment Advisors and Asset Managers who are engaged must be stated in the Foundation's annual report.

At the request of the statutory auditor or the Foundation, all parties participating in asset management may be obliged to disclose their personal financial circumstances to the statutory auditor. These parties undertake to release their banks from banking secrecy obligations. External contracting parties of the Foundation must confirm their acknowledgment of the present Corporate Governance rules in writing.

## **5.7. Sanctions**

Parties entrusted with the management of the Foundation's assets are notified by the Foundation that failure to comply with the following governance obligations may be punishable (prison sentence of up to 6 months or fine of up to CHF 30,000, cf. Art. 76 paras. 6, 7 and 8, BVG):

- Anyone who engages in impermissible own-account trading, breaches the disclosure obligation by providing untrue or incomplete information, or who otherwise acts in gross violation of the interests of the occupational benefits institution.
- Anyone who fails to disclose or retains for himself pecuniary advantages or retrocessions in connection with asset management which are not to be quantified explicitly as compensation in the asset management contract.

## **6. Exercise of shareholder rights**

(Art. 95 para. 3 letter a, BV (Federal Constitution), Art. 71a and Art. 71b, BVG, Art. 49a para. 2 letter b, BVV 2)

### **6.1. Obligation to attend shareholder meetings**

(Art. 71a, BVG)

The Foundation exercises its voting and electoral rights ("shareholder rights") at all general meetings of Swiss corporations listed on an exchange (Art.

732 Swiss Code of Obligations) and in which it holds shares, in the announced agenda items as set out in Art. 71a para. 1, BVG (“proposals”).

## **6.2. Responsibilities**

(Art. 71a para. 4, BVG, Art. 49a para. 2 letter b, BVV 2)

The Board of Trustees exercises the shareholder rights pursuant to the above-listed statutory provisions (see point 6.1). Provided that its supervisory obligations and rights of responsibility remain unaffected, the Board of Trustees can delegate this authority to a committee or another body of the Foundation.

The General Manager ensures that the Foundation is entered as a registered shareholder in the share register and that participation in the general meetings and instruction of the independent proxy is guaranteed. The General Manager reports regularly to the Investment Committee on the Foundation’s voting and electoral behavior.

The formal exercise of voting and electoral rights may be transferred to the General Manager, who consults the Investment Committee as necessary. In all cases, the Board of Trustees has the right to obtain information regarding the exercise of shareholder rights by the Foundation at any time.

The Foundation is not required to be directly present at or intervene in general meetings if representation by an independent proxy is guaranteed. The General Manager ensures that the independent proxy is instructed in good time on the Foundation’s intended voting and electoral behavior with regard to the agenda items submitted.

## **6.3. Principles and guidelines**

(Art. 71 para. 1, BVG and Art. 71a para. 2 to para. 4, BVG)

The Foundation always exercises shareholder rights in the interests of the insured persons. This is ensured provided that its voting and electoral behavior serves the long-term prosperity of the Foundation with regard to Art. 71 para. 1, BVG. This is the case, specifically, when the profit of the respective company is distributed fairly and proportionally to shareholders. The Board of Trustees may specify the interests of the insured persons in more detail.

Provided this is in keeping with the interests of the insured persons, the shareholder rights may be

exercised in accordance with the proposals of the board of directors.

For the purpose of formulating objectives prior to exercising its shareholder rights, the Foundation may take into account analyses and voting recommendations from voting right consultants or corporate governance experts, while respecting the interests of insured persons.

## **6.4. Reporting and disclosure**

(Art. 71b, BVG)

The Board of Trustees ensures that insured persons are informed at least once a year about the Foundation’s voting and electoral behavior in the form of a summary report (Art. 71b, BVG). This information may also be provided via the Internet.

For this purpose, the Investment Committee keeps the Board of Trustees regularly up-dated on the exercise of shareholder rights at general meetings with regard to Art. 71a para. 1, BVG (see section 6.1). Deviations from board of directors’ proposals and any abstentions are to be documented in an appropriate manner and disclosed in detail in the report (Art. 71b para. 2, BVG).

## **6.5. Equities held indirectly (collective investment schemes)<sup>2</sup>**

If a collective investment scheme holds equities but does not permit the Foundation to exercise shareholder rights, these rights are therefore not exercised.

If the collective investment scheme holds equities and allows the Foundation to participate in ballots and elections at general meetings on a binding basis, i.e. by instructing the independent proxy, the provisions of nos. 6.1 to 6.4 also apply to the exercise of shareholder rights in respect of these collective investment schemes.

If the Foundation has the possibility of expressing a voting or electoral preference to the collective investment scheme, the Board of Trustees decides on the extent to which it makes use of this possibility.

## **6.6. Sanctions**

A breach of the obligations to actively exercise shareholder rights in accordance with the statutory requirements (Art. 71a, BVG), and/or any deliberate breach of the disclosure obligations (Art. 71b,

BVG) by members of the governing bodies or employees of the Foundation is punishable (Art. 76 para. 1 letter h and para. 2, BVG).

## **7. Final provisions**

These Regulations enter into force as of January 1, 2023, and replace the version of July 1, 2020.

These Regulations are revised by the Board of Trustees annually or as required.

## Appendix 1 Strategic asset structure

### 1. Investment strategy

The Board of Trustees has defined the following investment strategy, to take effect on July 1, 2021.

AXA Foundation for Occupational Benefits	Investment strategy			Limits as per BVV 2
	neutral = Benchmark	min.	max.	
CHF liquidity	1%	0%	10%	
CHF bonds	14%	11%	17%	
CHF mortgages	4%	0%	10%	50%
FC bonds (hedged)	14%	11%	17%	
Emerging market bonds	4%	2%	6%	
Swiss equities	3%	1%	5%	
Equities, global (hedged)	24%	21%	27%	50%
Small cap equities, global (hedged)	3%	1%	5%	
Emerging market equities	4%	2%	6%	
Infrastructure	0%	0%	3%	10%
Private equity	3%	1%	5%	
Private debt/alternative credit	0%	0%	3%	15%
Other alternative investments*	0%	0%	5%	
Swiss real estate	23%	18%	28%	30%
Global real estate (hedged)	3%	0%	5%	
<b>Total</b>	<b>100%</b>			
Total foreign currencies (not hedged)	11%	5%	17%	30%
Total equities	34%	25%	43%	50%

\*e.g. Infrastructure investments with leverage

In order to verify the BVV 2 maximum limits, the assets are assigned to the relevant asset classes as per Article 53, BVV 2.

## 2. Bandwidths for the investment strategy

- A bandwidth is defined for each asset class according to its quota of the strategy.
- The upper and lower bandwidths define the maximum permitted deviations from the strategic target structure. These bandwidths represent intervention points. As a mandatory requirement, the portfolio weightings must move within the lower and upper bandwidths.
- Compliance with the bandwidths is verified at least once per quarter. If the asset structure deviates from the bandwidths, adjustments are carried out in accordance with the rules pursuant to no. 4.

## 3. Strategic benchmark

Asset class	Benchmark index (in CHF incl. dividends)	Ticker
CHF liquidity	FTSE CHF 3M Eurodeposit	SBWMSF3L Index
CHF bonds	SBI Total AAA-BBB	SBR14T Index
CHF mortgages	SBI Domestic Swiss Pfandbrief (mortgage bond) 1-10	SM110T Index
FC bonds (hedged)	Bloomberg Global Aggregate Hedged CHF	LEGATRCH Index
Emerging market bonds	JPM Emerging Markets Equal Weighted (1/3 EMBI, 1/3 GBI, 1/3 CEMBI)	JEMBAGTR Index
Swiss equities	SPI	SPI Index
Equities, global (hedged)	MSCI World ex CH Hedged to CHF (net)	MACXCSLA Index
Small cap equities, global (hedged)	MSCI World Small Cap ex CH hedged in CHF (net)	M1CXCSAO Index
Emerging market equities	MSCI Emerging Markets (net)	M1EF Index
Private equity	MSCI World TR (net) +1% p.a.	M1WO_100 Index (+1% p.a.)
Infrastructure	Saron Index +3% p.a.	SSARON Index
Private debt/alternative credit	S&P Global Leveraged Loan Index	SPLGAL Index
Swiss real estate	KGAST real estate index	WUPIIMM Index
Global real estate	KGAST Real Estate Index	WUPIIMM Index

## 4. Benchmarking for foreign currency hedging

- The non-currency-hedged benchmarks may be applied to assess performance at asset class level.
- At total assets level, performance is measured with the inclusion of foreign currency hedging.

## 5. Rebalancing and tactical asset allocation

- If a breach of these bandwidths is ascertained, appropriate reallocations are required so that the asset structure is brought back within the bandwidths.
- If possible, the corrections must be made within one month.
- In such cases, appropriate consideration must be given to the special liquidity characteristics of possible individual asset classes such as real estate and alternative investments.

## Appendix 2 Valuation principles

As far as possible, all assets are valued at market values as at the balance sheet date. The applicable prices are those determined by the custodians or the Fund Manager. In all other respects, the provisions of Art. 48, BVV 2 and/or Swiss GAAP FER 26 (no. 3) apply.

## Appendix 3 Fluctuation reserves

(Art. 48e, BVV 2)

To offset value fluctuations on the assets side and to guarantee the necessary interest on liabilities, fluctuation reserves are formed on the liabilities side of the commercial balance sheet.

The necessary target value of the fluctuation reserves is determined in accordance with the financial economic method. A two-stage procedure is applied. By combining historic risk characteristics (volatility, correlation) with expected returns (risk-free interest rate + risk premiums) for the asset classes, and on the basis of the Foundation-specific investment strategy, the necessary fluctuation reserve is determined so as to enable, with adequate certainty, a required minimum interest rate on the tied pension capital. The target size of the fluctuation reserve in percent is defined in the regulations on the formation of provisions and reserves.

When establishing the basis for calculating fluctuation reserves, the principle of constancy must be taken into account as well as the current situation on capital markets.

The appropriateness of the target value is reviewed by the Board of Trustees periodically, or when exceptional events so require and, if necessary, is adjusted and formally recorded. The target value determined is stated in the Notes to the annual financial statements. The objective is a security level of 97.5% over one year.

Changes in the basis of calculation are to be explained in the Notes to the annual financial statements, taking into account the provisions of Swiss GAAP FER 26.

## Appendix 4 Investment Guidelines

### 1. Principles

- As a general rule, the assets are invested in liquid and readily tradable securities which achieve investment returns in line with the market. An appropriate degree of diversification must be ensured (Art. 50 paras. 1-3, BVV 2, Art. 51, BVV 2 and Art. 52, BVV 2).
- The investments must not result in any obligation for the Foundation to provide additional capital (Art. 50 para. 4, BVV 2).
- The investments must not include any leverage, with the exception of the cases stated in Art. 53 para. 5, BVV 2.
- Compliance is required with the restrictions as per Art. 54, BVV 2 (individual debtors), Art. 54a, BVV 2 (individual companies) and Art. 54b, BVV 2 (individual real properties and pledging thereof as collateral).
- Investments take the form of individual investments and/or collective investment schemes. The form of investment may be restricted within asset classes.
- The portfolio may be managed actively and/or passively.
- The following requirements and guidelines may be stated in more detail (i.e. narrowed down) within the scope of the asset management mandates, but they cannot be broadened.

### 2. Benchmark index

- A benchmark is defined for each asset class. As a rule, this will be a transparent market index reproducing the return on the respective asset class.
- With the help of the defined indices and neutral weighting as per the strategic asset structure, a Foundation-specific benchmark index (strategic benchmark) is calculated.
- The investment results achieved are compared to the strategic benchmark. This comparison is used to determine and assess the success of the implementation of the investment strategy.

### **3. Collective investments**

- Investments may take the form of collective investment schemes.
- If collective investment schemes are used, compliance with Art. 56, BVV 2 is required.

### **4. Derivatives**

- As a general rule, the Foundation's investments are made in underlyings. Derivative financial instruments such as futures transactions (futures, forwards, swaps) and options are only used in a supplementary manner, in particular in order to implement FX overlay management and to control duration.
- All obligations that may arise on exercising such options, etc. must at all times be covered either by liquid assets (for transactions which increase exposure) or by underlyings (for transactions which reduce exposure). Leverage effects at total assets level (= hidden borrowing) and short selling of underlyings are strictly prohibited.
- The economic, delta-adjusted exposure is applicable for compliance with the Investment Guidelines of the Board of Trustees as per Appendix 1. FX options, which are taken into account at mandatory nominal value, are an exception.
- The counterparty for non-standardized transactions and collateralized transactions (OTC, covered warrants, etc.) must have at least a Baa3 rating according to Moody's or an equivalent rating. Corresponding investments with the Custodian Bank are exempted from these rating requirements.
  - In case of a rating split, the lower rating is applicable.
  - In case of downgrading to below Baa3, the positions must be closed out within 3 months.
  - Deviations from these rating requirements are permitted within collective investment schemes.
- Futures may not be used in equity portfolios for cash management processing.
- Use of the following is not permitted:
  - Short credit default swaps (building up credit risks)
  - Structured products
  - Exotic derivatives
- With regard to trades in derivatives subject to FinMIA/FinMIO (see Appendix 8), compliance with the relevant trading rules must be ensured (see Appendix 8). In the case of currency futures and currency swaps (provided real fulfillment is guaranteed) that the Foundation enters into directly with a counterparty, it must be noted that these trades are subject to the reporting obligation as per Art. 84, FinMIO and Arts. 104ff., FinMIA.
- Compliance with the provisions of Art. 56a, BVV 2 and the relevant notifications and specialist recommendations from the responsible authorities is required at all times.

### **5. Securities lending**

- In general, no provision is made for securities lending.
- Securities lending is permitted within collective investment schemes that are used, subject to the following conditions:
  - In connection with securities lending, compliance is required on the basis of Art. 53 para. 6, BVV 2, with the overall conditions and regulations as per the Federal Collective Investment Schemes Act (CISA) (Art. 55 para. 1 letter a, CISA, Art. 76, Federal Collective Investment Schemes Ordinance (CISO) and Arts. 1 ff., FINMA Collective Investment Schemes Ordinance (CISO-FINMA)).
  - Securities lending takes place exclusively on a collateralized basis, and is processed through the Custodian Bank on the basis of a written contract.
  - It must be ensured that the equities of listed Swiss stock corporations are excluded from securities lending in the relevant periods, i.e. exercise of the shareholders' rights as per no. 6 in the Investment Regulations must not be impaired due to securities lending.

### **6. Repurchase agreements**

- In connection with repurchase agreements, compliance is required on the basis of Art. 53 para. 6, BVV 2, with the overall conditions and regulations as per the Federal Collective Investment Schemes Act (CISA) (Art. 55 para. 1 letter b, CISA, Art. 76, CISO and Arts. 11 ff., CISO-FINMA).



- In connection with repurchase agreements, the Foundation may only act as the lender, i.e. purchase and simultaneous forward sale of the same securities (reverse repo). It is explicitly prohibited for the Foundation to act as the borrower (Art. 53 para. 6, BVV 2).
- Repurchase agreements are processed through the Custodian Bank on the basis of a written contract.
- It must be ensured that the equities of listed Swiss stock corporations are excluded from repurchase agreements in the relevant periods, i.e. exercise of the shareholders' rights as per no. 6 in the Investment Regulations must not be impaired due to repurchase agreements.
- Repurchase agreements are also permitted within collective investment schemes that are used.

## **7. Currency hedging (currency overlay)**

- Currency hedging is generally used to reduce risk.
- The counterparty for non-standardized transactions and collateralized transactions (OTC, covered warrants, etc.) must have at least a Baa3 rating according to Moody's or an equivalent rating. Corresponding investments with the Custodian Bank are exempted from these rating requirements. The following are permitted in this context:
  - active management of open currency positions and optimization of costs for hedged positions
  - efficient settlement of the transactions undertaken and minimization of the counterparty and execution risks
- For the purposes of currency hedging, use may only be made of forward exchange transactions (futures or forwards) and currency options with a maximum maturity of 5 years. Longer maturities are admissible within collective investment schemes.
- Currency futures and currency swaps (provided real fulfillment is guaranteed) that the Foundation enters into directly with a counterparty are subject only to the reporting obligation as per Art. 84, FinMIO and Arts. 104ff., FinMIA. This obligation includes all transactions for the exchange of currencies in which real fulfillment is guaranteed.
- In addition, the regulations regarding the use of derivative instruments (Art. 56a, BVV 2) are applicable as per no. 4.

## **8. Guidelines for the individual asset classes (cf. Appendix 1)**

New investments must conform to the guidelines, as per no. 8.1.

### **8.1. Investment strategy (cf. Appendix 1, no. 1)**

#### **8.1.1. Liquid assets**

- The following are admissible: account credit balances, money market investments at banks and time deposits with a state guarantee or a short-term rating of at least P-2 and a long-term rating of at least Baa3 (Moody's), or of comparable quality. Corresponding investments with the Custodian Bank are exempted from these rating requirements. Account credit balances with AXA are also permitted.
  - In case of a rating split, the lower rating is applicable.
  - In case of downgrading of a counterparty to below the minimum rating, the position must be liquidated as quickly as possible, and must not be extended beyond the original maturity.
- The objective is to achieve a return in line with the market.
- Appropriate diversification of debtors should be ensured.
- Instruments that contain optionalities (e.g. caps, floors, swaptions) are not admissible.

#### **8.1.2. Mortgages**

- The Foundation does not grant any mortgages directly, but invests exclusively in mortgages by means of collective investment schemes as per Art. 56, BVV 2. These are subject to the following requirements:
  - The mortgage loans are components of the receivables as per BVV 2, provided that they are denominated in CHF and that the encumbered property is located in Switzerland. Otherwise, they are regarded as alternative investments as per BVV 2.

- Both variable and fixed-rate mortgages may be granted.
- The net collateralization of the properties, i.e. taking into account any additional collateral, may not exceed 70% of the market value estimate for the average of the entire portfolio. The following net lending limits per property apply in this regard:
  - 80% per residential property, insofar as appropriate amortizations were agreed;
  - 66.67% of the internal market value estimate per commercial property or mixed-use property.
- The following are admissible as eligible additional collateral: claims from life insurance policies and funds from occupational benefits insurance (Pillars 2 and 3). Mortgages must be granted at market-compliant conditions.
- Ongoing risk monitoring of mortgages must be ensured.

### **8.1.3. Bonds**

#### **8.1.3.1. CHF bonds**

- Listed and readily tradable bonds are admissible.
  - The quota of receivables with an Investment Grade rating (at least Baa3 as per Moody's or equivalent) is a minimum of 90%.
  - In case of a rating split, the index provider's methodology is applicable.
  - If the quota falls below the 90% minimum, this must be corrected within 6 months.
  - Deviations from these rating requirements are permitted within collective investment schemes.
- The quota of receivables not compliant with Art. 53 para. 1 letter b nos. 1 to 8, BVV 2 must not exceed the quota of these alternative receivables by more than 5 percentage points.
- Bonds not included in the benchmark index are admissible only if the receivables are compliant with Art. 53 para. 1 letter b nos. 1 to 8, BVV 2 or if they are bonds with maturities of less than one year which were previously included in the benchmark index and were only excluded from the benchmark index due to their short residual maturity.
- Bond futures up to a maximum quota of 15% are permitted in order to control duration.
- Investments in contingent convertible (CoCo) bonds are not permitted.
- Appropriate diversification of issuers should be ensured.

#### **8.1.3.2. Foreign currency bonds (hedged)**

- Listed and readily tradable bonds are admissible.
  - The quota of receivables with an Investment Grade rating (at least Baa3 as per Moody's or equivalent) is a minimum of 90%.
  - In case of a rating split, the index provider's methodology is applicable.
  - If the quota falls below the 90% minimum, this must be corrected within 6 months.
- The quota of receivables not compliant with Art. 53 para. 1 letter b nos. 1 to 8, BVV 2 must not exceed the quota of these alternative receivables by more than 5 percentage points.
- Bonds not included in the benchmark index are admissible only if the receivables are compliant with Art. 53 para. 1 letter b nos. 1 to 8, BVV 2 or if they are bonds with maturities of less than one year which were previously included in the benchmark index and were only excluded from the benchmark index due to their short residual maturity.
- Bond futures up to a maximum quota of 15% are permitted in order to control duration.
- Investments in contingent convertible (CoCo) bonds are not permitted.
- Appropriate diversification of issuers should be ensured.

#### **8.1.3.3. Emerging market bonds**

- Listed and readily tradable bonds are admissible.
- The quota of receivables not compliant with Art. 53 para. 1 letter b nos. 1 to 8, BVV 2 must not exceed the quota of these alternative receivables in the index by more than 5 percentage points.
- Bonds not included in the benchmark index are admissible only if the receivables are compliant with Art. 53 para. 1 letter b nos. 1 to 8, BVV 2 or if they are bonds with maturities of less than one year which were previously included in the benchmark index and were only excluded from the benchmark index due to their short residual maturity.

- Bond futures up to a maximum quota of 15% are permitted in order to control duration.
- Appropriate diversification of issuers should be ensured.

#### **8.1.4. Equities**

##### **8.1.4.1. Swiss equities**

- Investments as per the benchmark index are permitted. Securities that are likely to be incorporated into the benchmark but are not yet included in it may also be acquired. If, 60 days after they are issued, these equities have not been incorporated into the benchmark, the said securities must be disposed of within 30 days.
- In addition, a maximum of 5% of the portfolio may be held equities outside of the benchmark index.
- Adequate diversification (by sectors) must be ensured.

##### **8.1.4.2. Global equities (hedged)**

- Investments as per the benchmark index are permitted. Securities that are likely to be incorporated into the benchmark but are not yet included in it may also be acquired. If, 60 days after they are issued, these equities have not been incorporated into the benchmark, the said securities must be disposed of within 30 days.
- Adequate diversification (by countries, sectors) must be ensured.
- In addition, a maximum of 10% of the portfolio may be held outside of the benchmark index.

##### **8.1.4.3. Small cap equities, global (hedged)**

- Investments as per the benchmark index are permitted. Securities that are likely to be incorporated into the benchmark but are not yet included in it may also be acquired. If, 60 days after they are issued, these equities have not been incorporated into the benchmark, the said securities must be disposed of within 30 days.
- Adequate diversification (by countries, sectors) must be ensured.
- In addition, a maximum of 10% of the portfolio may be held outside of the benchmark index.

##### **8.1.4.4. Emerging market equities**

- Investments as per the benchmark index are permitted. New issues that are likely to be incorporated into the benchmark but are not yet included in it may also be acquired. If, 60 days after they are issued, these equities have not been incorporated into the benchmark, the said securities must be disposed of within 30 days.
- Adequate diversification (by countries, sectors) must be ensured.
- In addition, a maximum of 20% may be held in equities outside of the benchmark index.

#### **8.1.5. Real estate**

##### **8.1.5.1. Swiss real estate**

- Real estate investments are strategic positions. The objective is a sustainable long-term increase in value.
- Collective investment schemes as per Art. 56, BVV 2 are admissible, including in particular units of exchange-listed real estate funds, equity securities in real estate companies and holdings in investment foundations.

##### **8.1.5.2. Global real estate (hedged)**

- Collective investment schemes as per Art. 56, BVV 2 are admissible, including in particular units of real estate funds, equity securities in real estate companies and holdings in investment foundations.

- Products with an obligation to provide additional capital are not admissible, as per Art. 50 para. 4, BVV 2. In this context, a predetermined investment sum (“commitment”) with a call right (“capital call”) within a defined period is not deemed to be an obligation to provide additional capital.

#### **8.1.6. Infrastructure**

- The portfolio is managed actively.
- Investments in diversified collective investment schemes are permitted.
- Investments in collective investment schemes with leverage are not permitted or are to be allocated to alternative investments if necessary.
- Appropriate diversification by regions, sectors, sources of yield and vintage years must be ensured.
- Appropriate consideration must be given to the instrument-specific risks (severely restricted liquidity, very long investment horizon).

#### **8.1.7. Alternative investments**

- Alternative investments are deemed to be investments in hedge funds, private equity, insurance-linked securities, and commodities together with all investments that cannot be allocated to an asset class as per Art. 53 para. 1 letters a - d<sup>bis</sup>, BVV 2 (in particular, those cited in Art. 53 para. 3, BVV 2).
- The following are admissible: investments in diversified collective investment schemes as per Art. 56, BVV 2, diversified certificates and diversified structured products (Art. 53 para. 4, BVV 2). If undiversified alternative investment instruments or alternative direct investments are used, justification must be provided for the broadening of the scope of investment as per Art. 50 para. 4, BVV 2.
- Products with an obligation to provide additional capital are not admissible, as per Art. 50 para. 4, BVV 2.
- Products with leverage are permitted (Art. 53 para. 5 letter a, BVV 2), provided that there is no obligation to provide additional capital.

##### **8.1.7.1. Private equity**

- The portfolio is managed actively.
- Investments in diversified collective investment schemes are permitted (funds of funds or holding companies).
- Products with an obligation to provide additional capital are not admissible; in this context, a predetermined investment sum (“commitment”) with a call right (“capital call”) within a defined period is not deemed to be an obligation to provide additional capital.
- Appropriate diversification by regions, economic sectors, phases of corporate development and vintage years must be ensured.
- Appropriate consideration must be given to the instrument-specific risks (severely restricted liquidity, very long investment horizon).

##### **8.1.7.2. Private debt/alternative credit**

- The portfolio is managed actively.
- Investments in diversified collective investment schemes are permitted.
- Appropriate diversification by issuers, regions and economic sectors must be ensured.
- Appropriate consideration must be given to the instrument-specific risks (severely restricted liquidity, increased credit risk).

##### **8.1.7.3. Other alternative investments**

- Other alternative investments are deemed to be all investments which cannot be allocated to an asset class as per Art. 53 para. 1 letters a to d, BVV 2, in particular receivables as per Art. 53 para. 3 (e.g. infrastructure investments with leverage, collective investments in real estate with a permanent loan-to-value ratio of over 50% of the market value, etc.).

- Other alternative investments are permitted subject to compliance with the foregoing investment restrictions.
- Products with an obligation to provide additional capital are not admissible; in this context, a predetermined investment sum (“commitment”) with a call right (“capital call”) within a defined period is not deemed to be an obligation to provide additional capital.

## **Appendix 5 Investments in the employer**

(Art. 57, BVV 2)

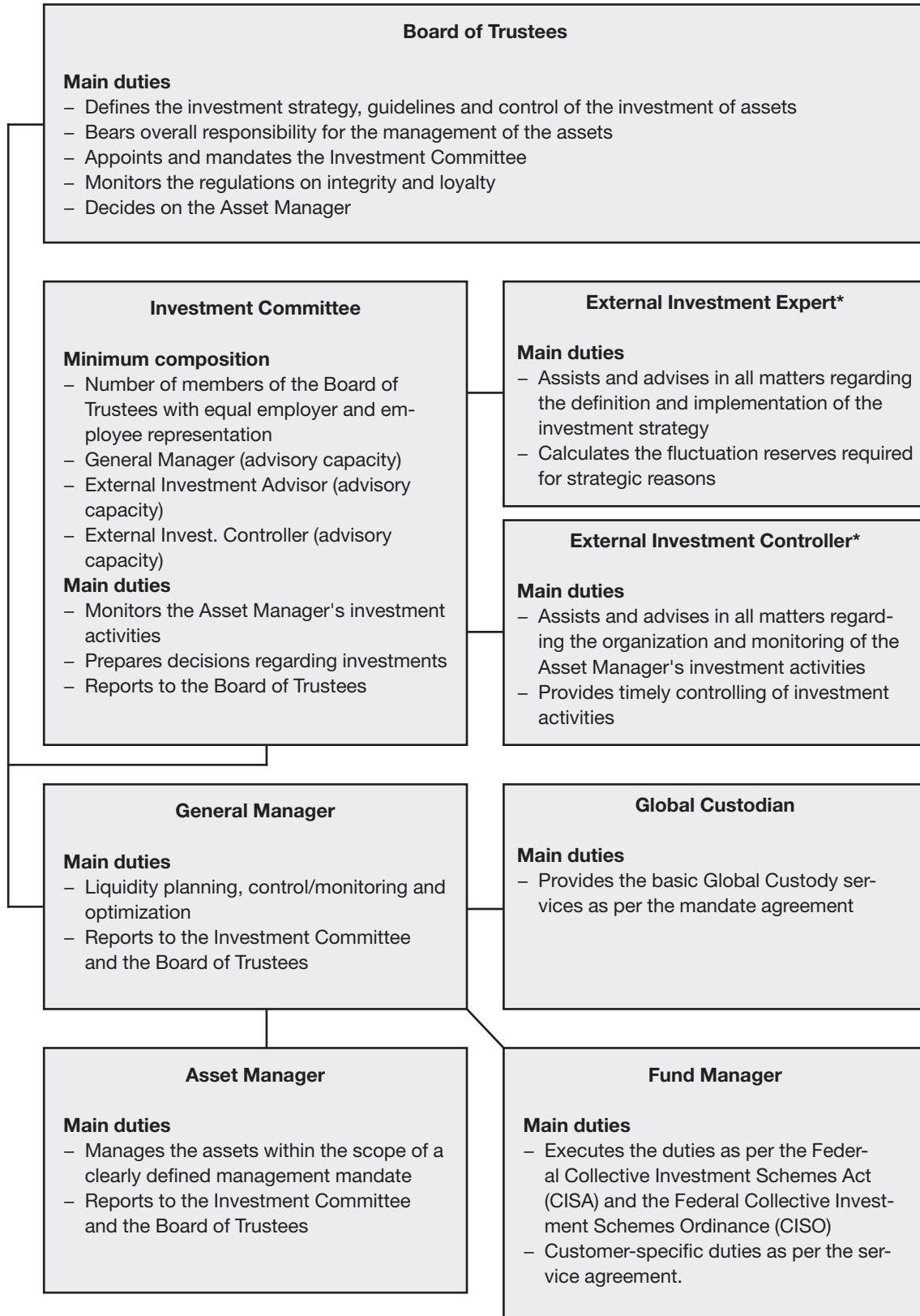
The provisions of Art. 57, BVV 2 are to be complied with at all times.

## **Appendix 6 Costs of asset management**

(Art. 48a, BVV 2)

The presentation of asset management costs as per Art. 48a, BVV 2 is compliant with Directive W-02/2013 of the OPSC (Occupational Pension Supervisory Commission), “Recognition of asset management costs”.

## Appendix 7 Organizational chart of the investment organization



\* The function of External Investment Expert and that of External Investment Controller may, if necessary, be performed by the same party.

## **Appendix 8 Financial Market Infrastructure Act (FinMIA/FinMIO)**

In implementing Art. 113 para. 1 FinMIO, the Board of Trustees stipulates the following. It monitors compliance with the trading rules in accordance with FinMIA/FinMIO.

### **8.1 Qualification**

The Foundation holds units in single-investor fund. According to the fund management company, this fund is classified as a Large Financial Counterparty (FC+).