



# Investment regulations

AXA Foundation 1e, Winterthur

## 1. Objective

The present investment regulations specify the objectives, principles, guidelines, duties, and powers that apply when managing the assets of the Foundation in accordance with the statutory requirements.

## 2. Principles

Within an occupational benefits plan, the Foundation offers a choice of different investment strategies as part of asset management for the retirement assets of the insured members (Art. 1e BVV 2/OPO 2; see Appendix 1). The Foundation will offer at least one strategy comprising low-risk investments pursuant to Art. 19a (1) FZG/VBA.

An insured person may select only one investment strategy. Splitting retirement assets up over several investment strategies is not permitted.

## 3. Choice of investment strategy

The Foundation will inform the insured member of the different investment strategies and the related risks and costs.

Insured persons select an investment strategy from Appendix 1.

The insured person must confirm electronically that they have received the information on the risks and costs of the investment strategy. If the insured person does not issue the Foundation with such confirmation or does not exercise their right to select, their retirement assets will be invested in a low-risk investment strategy.

The insured person may change the selected investment strategy at any time (except between December 25 and the first trading day of the following year) and invest in one of the other strategies listed in Appendix 1. The change of investment strategy will be implemented as soon as possible, but within a maximum of 10 working days. During the changeover period, the retirement assets will not be invested for several days.

## 4. General investment guidelines

### 4.1. Provisions governing occupational benefits insurance

Compliance is required at all times with all statutory provisions, including in particular the investment rules pursuant to BVG/OPA and BVV 2/OPO 2 as

well as the directives and recommendations issued by the relevant authorities, insofar as these apply to occupational benefit institutions that are not entered in the register for occupational benefits providers.

### 4.2. Investment strategy

The Foundation issues different investment strategies within the framework of the provisions that apply by law. The investment strategies take into account the differing levels of risk tolerance among insured persons and the long-term return and risk characteristics of the various asset classes, and seek to achieve differing levels of return.

The investment strategies are reviewed by the Foundation on a regular basis and on the occurrence of any extraordinary events. The Foundation adapts, revokes, or replaces the investment strategies in place whenever such a move becomes necessary. The corresponding guidelines and limits always relate to market values (see Appendix 2) or special arrangements for derivatives (see Appendix 3 section 4).

For the purposes of implementing the investment strategy, the Foundation has the following means at its disposal:

- An investment organization and rules on powers of authorization that ensure an efficient decision-making process structured in accordance with the double-check 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.

### 4.3. Management of assets

The aim of asset management is to ensure that the Foundation's financial equilibrium can be enhanced on a sustainable basis. Assets are invested across various asset classes, markets, currencies, industries, and sectors. Investments are made in assets that generate a total return in line with the market.

The assets are to be managed in such a way that

- the benefits under the regulations can be paid out on schedule at all times,
- the risk capacity as set out in the investment policy is complied with, thus ensuring the security of the promised benefits,

- the total return (current income plus changes in value) is maximized within the scope of the risk capacity;
- The investment guidelines specified in Appendix 3 must also be complied with.

#### 4.4. Expansion of the scope of investment options

The Foundation is making use of the possibility of broadening the scope of investment options as set out in Art. 50 (4<sup>bis</sup>) BVV 2/OPO 2. It presents compliance with Art. 50 (1) – (3) BVV 2/OPO 2 conclusively in the Notes to the annual financial statements for the relevant investment strategies.

### 5. Duties and powers

The Foundation's investment organization comprises the following 5 tiers:

- Board of Trustees
- Management
- Occupational benefits fund commission
- Asset Manager
- Global Custodian

All persons entrusted with general management and asset management are obliged to comply with Art. 48f – 48l BVV 2/OPO 2 as well as with any further regulations relevant to the Foundation.

#### 5.1. Board of Trustees

The Board of Trustees bears overall responsibility within the scope of and in analogous application of Art. 51a BVG/OPA for the management of the assets and carries out the nontransferable and inalienable duties pursuant to Art. 51a (2) BVG/OPA.

The Board of Trustees:

- issues the investment strategies (Art. 50 – 52 BVV 2/OPO 2) and investment guidelines;
- determines the investment strategy to be invested in if the insured person fails to exercise their duty to choose an investment strategy;
- decides on any broadening of the scope of investments as defined in Art. 50 (4<sup>bis</sup>) BVV 2/OPO 2 and makes conclusive presentation of such in the annual report;
- reviews the investment strategies regularly, or when exceptional events so require, taking into consideration Art. 50 (2) BVV 2/OPO 2;
- decides on the use of unallocated assets of the Foundation;
- determines the investment strategy for the investment of the occupational benefits fund's unallocated assets and employer contribution reserves;

- monitors the proper implementation of the investment strategies and compliance with the investment guidelines;
- may, within the scope of the principles, objectives, and guidelines, delegate the authority to implement the investment strategy to a global custodian (central depository), a fund management company, and an asset manager, and defines the requirements for these individuals and institutions (Art. 48f, BVV 2/OPO 2 and Art. 49a (2) (d) BVV 2/OPO 2);
- decides on the admissibility of securities lending and repurchase agreements;
- decides on the Asset Manager (see the section "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/OPO 2) and the handling and surrender of pecuniary benefits (Art. 48k BVV 2/OPO 2);
- monitors implementation of the disclosure obligation (Art. 48l BVV 2/OPO 2);
- may issue further guidelines on the management of individual asset classes or investment instruments; and
- in the event of underfunding, the Board of Trustees as the highest-ranking body, together with the expert on occupational pensions and the investment expert, evaluates measures pursuant to Art. 65d BVG/OPA designed to restore financial equilibrium.

#### 5.2. Management

The Management prepares the Board of Trustees' meetings and is the point of contact for the Global Custodian and Asset Manager.

The following non-exhaustive list of activities in connection with the investments are carried out under the Management's responsibility. The Management:

- monitors the compliance of investment activities undertaken with the provisions of the regulations and the law, and informs the Board of Trustees accordingly;
- is responsible for allocating the available resources to the Asset Manager within the requirements specified by the Board of Trustees;
- procures liquid resources from the Asset Manager;

- is responsible for drawing up the budget and for planning and control of liquidity, and optimizes operational liquidity;
- requires all parties and institutions entrusted with asset management to submit an annual written declaration regarding personal pecuniary benefits (Art. 48I (2) BVV 2/OPO 2) and reports to the Board of Trustees in this regard.

### 5.3. Occupational benefits fund commission

The occupational benefits fund commission invests the occupational benefits fund's unallocated assets and the employer contribution reserves under its own responsibility.

Positive investment results increase unallocated assets or the employer contribution reserves, while negative investment results decrease them. The Foundation is not liable for any investment losses. The Foundation does not pay interest on the unallocated assets or employer contribution reserves.

The employer and the occupational benefits fund commission are obligated to provide the persons insured in the occupational benefits fund with information on the investment of the employer contribution reserves and unallocated assets at least once a year.

### 5.4. Asset Manager

The Asset Manager is selected by the Board of Trustees. The market conformity of the asset management mandate is reviewed by the Board of Trustees on a regular basis.

Only persons and institutions that satisfy the requirements of Art. 51b (2) BVG/OPA, Art. 48f – 48I BVV 2/OPO 2, as well as the Code of Conduct of the Asset Management Association (formerly: SFAMA) or equivalent rules are entrusted with asset management. Foreign asset managers must contractually undertake to comply with the integrity and loyalty requirements as set out in Art. 48f – 48I BVV 2/OPO 2.

The Asset Manager:

- is responsible for managing the investment of assets within the scope of a clearly defined management mandate;
- conducts investment activities on the basis of agreed guidelines and requirements;
- informs the Board of Trustees at least once per quarter of the returns achieved and of compliance with the investment regulations at asset class and total assets levels; and
- reports regularly to the Board of Trustees on the performance of the invested assets. For this

purpose, the Asset Manager draws up a report on the activities during the reporting period and, as required, reports verbally to the Board of Trustees.

The Asset Manager is monitored by the Board of Trustees on an ongoing basis. The information that is necessary for this is provided by the Custodian Bank, the Asset Manager itself, the Global Custodian, and the fund management company.

### 5.5. Global Custodian

The Global Custodian is responsible for the proper execution of basic global custody services. The duties of the Global Custodian are regulated in a written mandate agreement.

## 6. Monitoring and reporting

Information must be reported in such a way so as to ensure that the individual levels can perform the management role assigned to them.

Investments and the management thereof must 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. The Asset Manager must inform the Board of Trustees and Management immediately should any particular events occur (e.g. specific market developments, special operational events).

## 7. Governance

The Foundation takes suitable organizational measures to implement the governance requirements set out in Art. 48f – 48I BVV 2/OPO 2 and ensures that an adequate internal control system is in place (see Art. 52c (1) (c) BVG/OPA).

By way of a supplement to Art. 48k BVV 2/OPO 2, it must be noted that it is expressly forbidden for any persons and institutions involved in the management of assets to accept any form of retrocessions, kickbacks, rebates, gifts, and the like.

## 8. Exercise of shareholder rights

The Foundation implements the investment strategy by means of collective investments. No direct equity investments are permitted in this Foundation. The Foundation thus has no shareholder voting rights.

## **9. Final provisions**

These regulations enter into force on January 1, 2023, and will be revised by the Board of Trustees annually or as required.

## Appendix 1 Investment strategies

### 1. Investment strategies

<b>No. 1</b>			
<b>Asset class</b>	<b>Low risk</b>		<b>Benchmark</b>
	<b>SAA</b>	<b>Bandwidths</b>	
<b>Liquidity</b>	<b>100%</b>	70% – 100%	FTSE CHF 3M Euro Dep.
<b>Nominal assets</b>	<b>0%</b>	0% – 30%	
CHF bonds	0%	0% – 30%	SBI AAA-BBB
Global bonds			Bloomberg Barclays Global-Aggregate (TR) Value Hedged CHF
Emerging market bonds			Bloomberg Barclays EM USD Aggregate (TR) Value Hedged CHF
High yield bonds			Bloomberg Barclays Global High Yield (TR) Value Hedged CHF
<b>Equities</b>			
Swiss equities			Swiss Performance Index
Global equities			MSCI World ex Switzerland (NETR) Hedged into CHF
Emerging market equities			MSCI Emerging Markets (NETR) unhedged
<b>Real estate</b>			SXI Real Estate Funds

<b>No. 2</b>			
<b>Asset class</b>	<b>AXA 1e 20</b>		<b>Benchmark</b>
	<b>SAA</b>	<b>Bandwidths</b>	
<b>Liquidity</b>	<b>2%</b>	0% – 10%	FTSE CHF 3M Euro Dep.
<b>Nominal assets</b>	<b>68%</b>	48% – 88%	
CHF bonds	20%	15% – 25%	SBI AAA-BBB
Global bonds	38%	33% – 43%	Bloomberg Barclays Global-Aggregate (TR) Value Hedged CHF
Emerging market bonds	5%	0% – 10%	Bloomberg Barclays EM USD Aggregate (TR) Value Hedged CHF
High yield bonds	5%	0% – 10%	Bloomberg Barclays Global High Yield (TR) Value Hedged CHF
<b>Equities</b>	<b>20%</b>	15% – 36%	
Swiss equities	4%	2% – 8%	Swiss Performance Index
Global equities	15%	13% – 23%	MSCI World ex Switzerland (NETR) Hedged into CHF
Emerging market equities	1%	0% – 5%	MSCI Emerging Markets (NETR) unhedged
<b>Real estate</b>	<b>10%</b>	0% – 20%	SXI Real Estate Funds

<b>No. 3</b>			
<b>Asset class</b>	<b>AXA 1e 35</b>		<b>Benchmark</b>
	<b>SAA</b>	<b>Bandwidths</b>	
<b>Liquidity</b>	<b>2%</b>	0% – 10%	FTSE CHF 3M Euro Dep.
<b>Nominal assets</b>	<b>53%</b>	35% – 73%	
CHF bonds	15%	10% – 20%	SBI AAA-BBB
Global bonds	30%	25% – 35%	Bloomberg Barclays Global-Aggregate (TR) Value Hedged CHF
Emerging market bonds	4%	0% – 9%	Bloomberg Barclays EM USD Aggregate (TR) Value Hedged CHF
High yield bonds	4%	0% – 9%	Bloomberg Barclays Global High Yield (TR) Value Hedged CHF
<b>Equities</b>	<b>35%</b>	24% – 45%	
Swiss equities	7%	4% – 10%	Swiss Performance Index
Global equities	26%	20% – 30%	MSCI World ex Switzerland (NETR) Hedged into CHF
Emerging market equities	2%	0% – 5%	MSCI Emerging Markets (NETR) unhedged
<b>Real estate</b>	<b>10%</b>	0% – 20%	SXI Real Estate Funds

<b>No. 4</b>			
<b>Asset class</b>	<b>AXA 1e 50</b>		<b>Benchmark</b>
	<b>SAA</b>	<b>Bandwidths</b>	
<b>Liquidity</b>	<b>2%</b>	0% – 10%	FTSE CHF 3M Euro Dep.
<b>Nominal assets</b>	<b>38%</b>	22% – 58%	
CHF bonds	11%	6% – 16%	SBI AAA-BBB
Global bonds	21%	16% – 26%	Bloomberg Barclays Global-Aggregate (TR) Value Hedged CHF
Emerging market bonds	3%	0% – 8%	Bloomberg Barclays EM USD Aggregate (TR) Value Hedged CHF
High yield bonds	3%	0% – 8%	Bloomberg Barclays Global High Yield (TR) Value Hedged CHF
<b>Equities</b>	<b>50%</b>	37% – 65%	
Swiss equities	10%	5% – 15%	Swiss Performance Index
Global equities	37%	32% – 42%	MSCI World ex Switzerland (NETR) Hedged into CHF
Emerging market equities	3%	0% – 8%	MSCI Emerging Markets (NETR) unhedged
<b>Real estate</b>	<b>10%</b>	0% – 20%	SXI Real Estate Funds

No. 5 Asset class	AXA 1e 75		Benchmark
	SAA	Bandwidths	
<b>Liquidity</b>	<b>2%</b>	0% – 10%	FTSE CHF 3M Euro Dep.
<b>Nominal assets</b>	<b>13%</b>	2% – 33%	
CHF bonds	4%	0% – 9%	SBI AAA-BBB
Global bonds	7%	2% – 12%	Bloomberg Barclays Global-Aggregate (TR) Value Hedged CHF
Emerging market bonds	1%	0% – 6%	Bloomberg Barclays EM USD Aggregate (TR) Value Hedged CHF
High yield bonds	1%	0% – 6%	Bloomberg Barclays Global High Yield (TR) Value Hedged CHF
<b>Equities</b>	<b>75%</b>	60% – 90%	
Swiss equities	15%	10% – 20%	Swiss Performance Index
Global equities	55%	50% – 60%	MSCI World ex Switzerland (NETR) Hedged into CHF
Emerging market equities	5%	0% – 10%	MSCI Emerging Markets (NETR) unhedged
<b>Real estate</b>	<b>10%</b>	0% – 20%	SXI Real Estate Funds

In order to verify the BVV 2/OPO 2 maximum limits, the assets are assigned to the relevant asset classes pursuant to Art. 53 BVV 2/OPO 2.

## 2. Bandwidths

A bandwidth is specified for each asset class based on its weighting in the strategy. The lower and upper bandwidths define the maximum permissible deviations from the strategic target allocation. These bandwidths represent intervention points. The portfolio weightings must move within the lower and upper bandwidths.

Adherence to the bandwidths is monitored at minimum on a quarterly basis. If the asset allocation deviates from the bandwidths, adjustments are carried out in accordance with the rules set out in section 3 Appendix 1.

## 3. Rebalancing and tactical asset allocation

The Asset Manager may use active tactical asset allocation within the bandwidths. Where these bandwidths are found to have been breached, appropriate rebalancing measures must be taken to return the asset allocation to within the specified bandwidths.

In such cases, appropriate consideration must be given to the special liquidity characteristics of possible individual asset classes such as real estate.

## 4. Employer contribution reserves and unallocated assets

The occupational benefits fund's employer reserves and unallocated assets are each paid into a dedicated bank account.



## Appendix 2 Valuation principles

Securities are valued at market values as at the reference date. Nominal values are used in the financial accounting for all other investments and liabilities, less any value adjustments made necessary for operational reasons. The prices to be used are those determined by the custodians or fund management company. In all other respects, the provisions of Art. 48 BVV 2/OPO 2 and Swiss GAAP FER 26 (3) apply.

## Appendix 3 Investment guidelines

### 1. Principles

Investments are made on the basis of the following principles:

- As a general rule, the assets to be invested in securities are invested in liquid and readily tradable securities that generate investment returns in line with the market. An appropriate degree of diversification must be ensured (Art. 50 (1)–(3) BVV 2/OPO 2, Art. 51 BVV 2/OPO 2, and Art. 52 BVV 2/OPO 2).
- The investments must not result in any obligation for the Foundation to provide additional capital (Art. 50 (4) BVV 2/OPO 2).
- The investments must not include any leverage, with the exception of the cases stated in Art. 53 (5) BVV 2/OPO 2.
- Compliance is required with the restrictions pursuant to Art. 54 BVV 2/OPO 2 (individual debtors), Art. 54a BVV 2/OPO 2 (individual companies), and Art. 54b BVV 2/OPO 2 (individual properties and their collateral value).
- Investments are made in the form of collective investment schemes. The form of investment may be restricted within asset classes.
- The portfolio may be managed actively and/or passively.
- The requirements and guidelines set out hereinafter 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 must be specified for each asset class. As a rule, this will be a transparent market index that reflects the return on the respective asset class.

### 3. Collective investments

Investments are made in the form of collective investment schemes. If collective investment schemes are used, Art. 56 BVV 2/OPO 2 must be complied with.

Pursuant to Art. 50 (4) BVV 2/OPO 2, products including an obligation to furnish additional cover are not permitted. 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 furnish additional capital.

### 4. Alternative investments and derivatives

Alternative investments are permitted within the scope of the provisions of BVV 2/OPO 2. Only diversified collective investments may be used in the implementation. Investments in limited partnerships are not permitted.

The Foundation does not use alternative investments as part of investment strategies Nos. 1 – 5 (see Appendix 1).

The following conditions apply to derivative financial instruments:

- The use of derivative financial instruments is regulated by BVV 2/OPO 2 and by the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FinMIA).

- OTC derivative transactions are only permitted for foreign currency hedging of deliverable foreign currencies.
- The transaction is concluded exclusively via central counterparties approved or recognized by FINMA where settlement is required via a central counterparty.
- The Foundation qualifies as a financial counterparty (FC) in accordance with Art. 93 (2) (g) FinMIA. As it fails to reach the relevant threshold value (average gross positions of all outstanding OTC derivative transactions according to Art. 100 FinMIA and Art. 88ff. FinMIO), it qualifies as a small financial counterparty (FC-).
- Derivative financial instruments as defined in Art. 56a BVV2/OPO 2 may be used if they are derived from admissible investments as set out in the investment strategy.
- The creditworthiness of the counterparty and the tradability of the investment must be taken into account for each specific instrument.
- All obligations that arise from derivative financial transactions, or those which could arise when the right is exercised, must be covered.
- If derivative financial instruments are used, it is strictly prohibited to set up a leverage effect on the total assets (hidden borrowing) and to engage in short selling of underlyings.
- Restrictions on investments as set out in the investment strategy must be observed; this includes derivative financial instruments.
- Compliance with the coverage obligation and the restrictions is governed by the obligations that may arise for the Foundation from derivative financial instruments on conversion into the underlying investments in the most extreme case.

## **5. Securities lending**

The Foundation does not use securities lending as part of investment strategies Nos. 1 – 5 (see Appendix 1).

Securities lending and repurchase agreements are only permitted as part of collective investment vehicles where they comply with the Federal Collective Investment Schemes Act (CISA) and its implementing provisions. In repurchase agreements, the Foundation may only act as the lender.

The provisions of the Federal Collective Investment Schemes Act apply analogously (Art. 55 (1) (a) CISA, SR 951.31; Art. 76 CISO, SR 951.311; Art. 1 ff. CISO-FINMA, SR 951.312).

## **6. Investments in the employer**

Investments in the employer are in principle not permissible. This rule does not apply to securities purchased by the Asset Manager as part of its asset management activities. If payment transactions are processed through the employer (contribution payments, collection), short-term credit balances with the employer are permitted up to a maximum of 2 monthly contributions. The provisions of Art. 57 BVV 2/OPO 2 are to be complied with at all times.

## **Appendix 4 Costs of asset management**

The presentation of asset management costs as defined in Art. 48a BVV 2/OPO 2 is compliant with Directive W-02/2013 issued by the Occupational Pension Supervisory Commission (OPSC), “Reporting Asset Management Costs”.