Investment Regulations

(In accordance with the decision of the Board of Trustees of 24.11.2016)

Contents

1. Principles

1.1 Pursuant to the statutory requirements (Article 51a (2) (m) and (n) BVG, Article 49a (1) and (2) BVV 2), these Investment Regulations set out the objectives, principles, guidelines, duties and authorities that apply with regard to the management of the assets of the Allianz Pension Invest Semi-Autonomous Collective Occupational Pension Foundation (hereinafter referred to as the "Foundation").

1.2 All functional titles in these Investment Regulations refer to people of both genders.

1.3 The sole focus in managing the Foundation's assets is on the interests of the beneficiaries.

1.4 All persons entrusted with operational management and the management of the assets shall comply with Article 48f (incl. Articles 48h-l) BVV 2 (integrity and loyalty) as well as any other more detailed regulations that are relevant for the Foundation.

1.5 In managing the assets of the Foundation, it shall be ensured that the financial equilibrium of the Foundation can be reinforced over the long term. If the event of underfunding, the highest governing body shall work together with the occupational pensions actuary to verify the measures to restore financial equilibrium pursuant to Article 65d BVG.

1.6 The assets are to be managed in such a way that
- the promised benefits can be paid out at any time by the relevant deadline;
- the risk capacity as per the investment policy can be adhered to, thus ensuring the nominal security of the promised benefits; and within the framework of the risk capacity, the total return (current income plus any value adjustments) are maximised, meaning the greatest possible contribution can be made towards preserving the real value of the promised pension benefits over the long term.

1.7 In particular, the Foundation's risk capacity is dependent on the financial situation, the structure and the stability of the group of beneficiaries.

1.8 Investments
- are primarily made in liquid, highly tradable and high-quality assets;
- are spread across various asset classes, markets, currencies, industries and sectors; and
- are made in assets that generate a total return customary for the market.

1.9 The Foundation has the following means at its disposal to implement the investment strategy:
- An investment organisation and authority regulations that ensure an efficient decision-making process structured in line with the principle of multiple checks.
- A level-appropriate management information concept, which ensures meaningful management-related information is available to the responsible bodies.
- Planning and monitoring tools, in particular a liquidity plan and periodic analyses of the investment results and the risk capacity in order to determine the requirements for the investment strategy and to verify the fulfilment of the relevant objectives.

2. General investment guidelines

2.1 All statutory investment regulations and provisions, in particular those under the BVG, BVV 2, FinfraG and FinfraV as well as the directives and recommendations issued by the responsible authorities, shall be complied with at all times. In expanding the scope of assets in which the Foundation may invest pursuant to Article 50 (4) BVV 2, the requisite justifications for this expansion must be given.

2.2 Pursuant to the statutory requirements, the Foundation enacts these investment guidelines, which are tailored to its specific needs, in particular as regards its risk capacity. These investment guidelines provide detailed information on the asset allocation that is to be targeted by the Foundation over the long term (strategic asset allocation).

2.3 In determining this strategic asset allocation, the Foundation's risk capacity as per the investment policy as well as the long-term risk/return characteristics of the various asset classes must be taken into consideration.

2.4 The strategic asset allocation shall be reviewed and, if necessary, adjusted periodically or as required by extraordinary events. In doing so, it should be ensured that the way the assets are invested is compatible with the medium- to long-term obligations of the pension fund (Article 51a (2) (n) BVG). The applicable strategic asset allocation is set out in **Appendix 1**. The corresponding guidelines and limits always refer to the market values (see **Appendix 2**) or a special imputation scheme for derivatives (**Appendix 4 (9)**).

2.5 In principle, the Foundation applies a so-called "passive" investment policy. Passive means that the Investment Committee does not deviate significantly from the long-term target allocation at the levels of asset classes and currencies. The current asset allocation shall be periodically adjusted in line with the target allocation as part of the scheduled interventions (see **Appendix 9**). For this purpose, the available liquid funds are allocated to the individual asset classes accordingly. Assets managers may deviate from the strategy within the tactical bandwidths.

2.6 Specific guidelines are issued for individual asset classes; these can be found in **Appendices 4 to 6**.

3. Duties and authorities

As regards the management of the Foundation's assets, the management organisation includes the following levels (see **Appendix 8**):

1) Board of Trustees
2) Investment Committee
3) Foundation management
4) Independent external investment expert
5) Asset manager

3.1. Board of Trustees

1. Has overall responsibility pursuant to Article 51a BVG for managing the assets of the Foundation and performs the non-transferable and irrevocable duties pursuant to Article 51a (2) BVG.
2. Defines the principles and objectives for managing the assets of the Foundation in line with the regulations contained in Article 51a (2) (m) BVG and Articles 50, 51 and 52 BVV 2.
3. Approves the long-term investment strategy and the investment guidelines, and makes decisions on any expansions pursuant to Articles 50 (4) BVV 2 (Appendix 1).
4. Is responsible for providing a coherent analysis of any expansions to the scope of investments pursuant to Article 50 (4) BVV 2 in the annual report.
5. Reviews the long-term investment strategy periodically or as required by extraordinary events pursuant to Article 50 (2) BVV 2.
6. Is able to delegate the authority for pursuing the investment strategy in line with the principles, objectives and guidelines to an investment committee and to external asset managers and real estate managers and determines the requirements for these persons and institutions (Article 48f BVV 2 and 49a (2) (d) BVV 2).
7. Ensures that transparent regulations have been agreed with asset managers regarding third-party benefits (e.g. retrocessions, rebates, discounts, non-pecuniary benefits).
8. Checks that the long-term investment strategy is properly implemented and that the investment guidelines are met.
9. Appoints the members of the Investment Committee and elects an independent external investment expert.
10. Makes decisions regarding investments in the employer.
11. Makes decisions regarding the sale and purchase of properties.
12. Makes decisions as to whether the Foundation should be involved in establishing legal entities and/or taking up significant stakes in legal entities.
13. Based on the investment strategy and the investment results, makes decisions regarding the size, creation and release of fluctuation reserves at the request of the Investment Committee.
14. Makes decisions regarding the banks and asset managers with which the Foundation works.
15. Is able to issue additional guidelines concerning the management of individual asset classes or investment instruments (e.g. the use of derivative instruments).
16. Makes decisions as to whether securities lending and repurchase agreements are permitted.
17. Regulates the exercise of the Foundation's shareholder rights (Article 49a (2) (b) BVV 2 and Article 22 VegüV[1]).
18. Monitors compliance with the statutory provisions and those of the Pension Rules with regard to the exercise of the Foundation's shareholder rights.
19. Monitors compliance with the requirements concerning conflicts of interest (Article 48h BVV2) and the granting of pecuniary benefits (Article 48k BVV 2).
20. Monitors adherence to the disclosure obligations pursuant to Article 48l BVV 2.

3.2. Investment Committee

1. Comprises at least three members of the Board of Trustees and management (without voting rights). The Board of Trustees may appoint additional external experts (without voting rights) to the Investment Committee.
2. Generally meets four times each year.
3. Can be convened at any time by a member if required.

[1] Ordinance Against Excessive Compensation in Listed Stock Companies of 20 November 2013

4. Prepares the basis on which decisions are made regarding the long-term investment strategy.
5. Proposes modifications to the long-term investment strategy.
6. Is responsible for implementing the strategic asset allocation defined by the Board of Trustees.
7. Makes proposals to the Board of Trustees regarding the banks and asset managers with which the Foundation should work.
8. Regulates the activities of the asset managers (banks, portfolio managers) using clearly defined management mandates and specific investment guidelines.
9. Determines the permitted scope of securities lending and repurchase agreement (where permitted).
10. Monitors the liquidity plan drawn up by management.
11. Makes decisions as regards the allocation of funds to asset managers in accordance with the investment strategy approved by the Board of Trustees and the tactical bandwidths (rebalancing).
12. Monitors the implementation of this rebalancing by management.
13. Monitors the asset managers, investment activities and investment results and initiates corrective measures where required.
14 Makes decisions as regards the voting behaviour of the Foundation pursuant to point 6.
15. Notifies the Board of Trustees every six months of the investment activities and results at the level of asset classes and overall portfolio as well as the voting behaviour of the Foundation.
16. Takes minutes at each meeting of any decisions taken (copy sent to Board of Trustees).

If no Investment Committee has been appointed, its duties are performed by the Board of Trustees. The term “Investment Committee” refers to the Board of Trustees if no Investment Committee has been appointed.

3.3. Management

1. Is an advisory member of the Investment Committee.
2. Is responsible for planning, monitoring and optimising liquidity.
3. Supports the Investment Committee in organising and monitoring the asset managers' investment activities.
4. Within the scope of these guidelines and the requirements of the Investment Committee, is responsible for allocating the required funds to the asset managers (rebalancing).
5. Sources liquidity from the individual asset managers pursuant to the Investment Committee directive.
6. Monitors compliance with the statutory provisions and requirements and those of the Pension Rules with respect to the Investment Committee’s investment activities.
7. Each year requests a written declaration regarding personal pecuniary benefits (Article 48l (2) BVV 2) from all persons and institutions entrusted with the management and investment of assets, and reports to the Board of Trustees on this matter.
8. Is the point of contact for the custodians and asset managers.
9. Prepares the meetings of the Board of Trustees and the Investment Committee.
10. Is responsible for the administrative implementation of the statutory provisions and requirements and those of the Pension Rules with regard to the exercise of the Foundation's shareholder rights pursuant to point 6 and Appendix 4, points 10 and 11, and regularly reports to the Investment Committee on this matter.

3.4. Independent investment expert

Can be consulted by the Board of Trustees as required.

1. Periodically monitors the Investment Regulations as regards any modifications, adjustments and additions.
2. Periodically monitors the appropriateness of the mandate requirements and investment guidelines.
3. Supports the Board of Trustees and Investment Committee in implementing the investment strategy and monitoring the investment process.
4. Acts as a point of contact for the Board of Trustees, Investment Committee and management for matters relating to asset management.
5. Periodically develops and forwards to the Investment Committee and Board of Trustees bases for making decisions on the structuring of a risk-compliant investment strategy.
6. Periodically calculates the fluctuation reserves required for the strategy and compares these with the reserves available.
7. Has direct access to the Chairman of the Board of Trustees at all times.

3.5. Asset managers (portfolio managers)

3.5.1. Main duties and authorities

Asset managers are responsible for managing portfolios in individual securities segments as part of clearly defined management mandates.

Only those persons fulfilling the requirements pursuant to Article 48f (2) (incl. Articles 48h-l) and (4) and, if required, (5) BVV 2 shall be entrusted with the management of the Foundation's assets.

3.5.2. Reporting requirements

Portfolio managers shall report to the Investment Committee on a quarterly basis on the performance of the investments. For this purpose, they shall draw up a report on their activities during the reporting period and provide a verbal report to the Investment Committee if required.

3.5.3. Responsibility for objectives and evaluation criteria

1. Investment activities within the scope of the agreed guidelines and regulations. Evaluation of whether objectives have been met using risk/return characteristics of the agreed benchmark.
2. Each year passive investment foundations (or funds, mandates etc.) should achieve the benchmark return less costs within the framework of the agreed deviation risk.
3. Active investment foundations (or funds, mandates etc.) should exceed the benchmark return after costs over a period of three years. Investment and market restrictions together with special cost factors (e.g. stamp duty) should be taken into consideration in this regard.

3.5.4. Principles for selecting, awarding mandates to, monitoring, evaluating and terminating external asset managers

3.5.4.1. Principles for selecting external asset managers

Banks and asset managers that fulfil the requirements under Article 48f (2) and (4) and, if required, (5) BVV2 as well as the following criteria are eligible to be selected as external asset managers:

1. The ability and expertise, as confirmed by their own experience (for existing banks) and/or independent references (for new banks), to professionally and successfully exercise the mandate.
2. Performance data for comparable mandates, as evidenced by their own experience (for existing banks) and/or independent institutions (for new banks), usually spanning a period of at least five years.
3. Proven specialist employees responsible for the mandate, who also show a great degree of interest in the Foundation as a client.
4. Transparent investment process (investment style, consistency of investment approach, quality of investment team and resources, appropriate organisational structure).
5. The performance is compared against the defined benchmarks.
6. Asset management fees in line with market conditions.

3.5.4.2. Principles for awarding a mandate to external asset managers

Mandates are awarded by means of a detailed written description of the mandate and must govern the following points in addition to the standard agreements:

1. Starting volume
2. Objective of the mandate
3. Benchmark
4. Risk mitigation
5. Degree of investment
6. Permitted investments
7. Use of derivative instruments
8. Responsible portfolio manager and deputy
9. Content and frequency of reporting
10. Liability and indemnification of bank
11. Costs (definitive list)
12. Start (transitional period) and dissolution (at any time) of the mandate
13. Special features depending on type of mandate
14. Loyalty/compliance with the ASIP Charter or comparable rules and regulations
15. Treatment of membership and creditor rights (incl. shareholder rights)
16. Confirmation that requirements pursuant to Article 48f (4) and (5) BVV 2 are met.
17. Third-party services (disclosure and forwarding of retrocessions/rebates/soft commissions etc.)

The aforementioned points apply *mutatis mutandis* to collective investment schemes.

3.5.4.3. Principles for monitoring external asset managers

As part of the investment controlling process, asset managers are monitored on an ongoing basis. The information required for this is provided by the custodian bank or the asset manager and is tracked by management. The key content to be monitored is as follows:

1. The investment return generated compared to the targeted return
2. The risk associated with the investment return compared to the benchmark
3. The investment structure compared to the benchmark
4. Changes to the investment structure over time
5. Compliance with investment guidelines
6. Compliance with intended investment policy
7. Compliance with agreed investment style
8. The size of transactions
9. The use of derivative instruments
10. Special topics where required

3.5.4.4. Principles for evaluating external asset managers

The evaluation of asset managers' performance:

1. Is primarily based on the returns generated and the risks entered into compared to the target values (level of goal achievement) and compared to other directly comparable mandates (comparison with competitors).
2. Starts on the 1st day the mandate is awarded.
3. Usually occurs on a quarterly basis using monthly data.
4. Takes into account long-term aspects, i.e. if there are no serious breaches of the investment guidelines and the goals are met, across a time horizon of three years.
5. Is carried out based on a dialogue with the asset managers (performance meetings are held at least once per year).

3.5.4.5. Principles for terminating external asset managers

A mandate is reduced or even terminated:

1. Immediately in the case of serious breaches of the investment guidelines.
2. After the 1st warning, provided there has been no recognisable improvement in the investment results within an appropriate period of time.
3. If there are fundamental changes at the asset manager in terms of the organisational structure, personnel or investment techniques which would call into question the continuation of the mandate.

4. Monitoring and reporting

1. Investments and the way they are managed must be monitored on an ongoing basis. Reporting is carried out periodically and at the appropriate level with regard to the various content to be monitored; this ensures that the responsible bodies have access to meaningful information.
2. This reporting must ensure that the individual authority levels are informed in such a way that they can exercise the management responsibilities assigned to them.
3. The following information concept applies with regard to the organisation of investments:

When	Who	For whom	What
Monthly	Contracted third parties	Management	• Custody account statements • Investment reporting • Compliance monitoring
Monthly	Management	Board of Trustees	Investment reporting
Monthly	Management	Investment Committee	Compliance monitoring
Half-yearly	Investment Committee	Board of Trustees	Monitoring and information on investment activities
Annually	Board of Trustees	Beneficiaries	• Information about the past financial year (annual financial statements, auditor’s report) • The Foundation’s voting behaviour at general meetings

5. Governance

5.1. General information

All persons involved with the fund's administration, management or internal or external asset management must fulfil the following requirements:

5.2. Integrity and loyalty (Article 51b BVG / Article 48h BVV 2)

They must:
- have a good reputation and be able give a guarantee of irreproachable business activity;
- act exclusively in the interests of the insured persons on a fiduciary basis;
- maintain confidentiality;
- confirm in writing that they have acknowledged the governance rules; and
- comply with the ASIP Charter or a comparable set of regulations.
- External asset managers may not be represented in the highest governing body of the pension fund.

5.3. Conclusion of legal business (Article 51c BVG / Article 48h and 48i BVV 2)

Legal business must be concluded in line with standard market conditions and it must be possible to terminate it five years after it is concluded and with no detrimental effects for the pension fund. If significant new business is to be done with related persons, competing offers must be obtained. The tender process must be structured transparently.

5.4. Personal account transactions (Article 48j BVV 2)

Provided the pension fund's investments are not completely invested in collective investment schemes, they may not trade in the same securities as the pension fund if this would be detrimental and they may not carry out any previous, parallel or immediately subsequent, concurrent personal account transactions (front/parallel/after running). The custody account may not be restructured unless it is in the economic interest of the pension fund to do so.

5.5. Compensation and granting of pecuniary benefits (Article 48k BVV 2)

Their compensation must be definitively governed by a written agreement, in which it must be possible to clearly determine this compensation. Pecuniary benefits they have received in excess of those received in relation to performing their activities for the pension fund shall be paid to the pension fund in full.

Minor payments and common occasional gifts do not have to be disclosed or passed on to the pension fund. Details in this respect can be found in the Rules of Conduct for the Responsible Persons.

5.6. Disclosure obligations (Article 51c (2) BVG / Article 48l BVV 2)

They must disclose their interests on an annual basis to the highest governing body, to whom they must also submit an annual written declaration confirming that they have passed on all pecuniary benefits pursuant to Article 48k BVV 2. If they or any persons related to them carry out any legal business with the pension fund, this must be disclosed to the auditors as part of the annual audit. The same applies for legal business with enrolled employers.

6. Exercising shareholder rights
(Article 95 (3) (a) BV, Article 49a (2) (b) BVV 2, VegüV[2])

6.1. Obligation to participate in general meetings
(Article 22 (1) VegüV)

As a shareholder, the Foundation exercises its voting rights ("shareholder rights") at all general meetings of Swiss stock companies that are listed in Switzerland or abroad in all the cases specified in Article 22 (1) VegüV.

The voting obligation pursuant to Article 22 (1) VegüV refers to an obligation to participate, i.e. the Foundation must vote "yes", "no" or "abstain".

In this respect,
- on an annual basis it elects the chair of the board of directors and the members of the board of directors and the compensation committee as well as the independent proxy (Article 22 (1) (1) VegüV). Any provisions to the contrary must be based on the articles of association (Article 12 (2) (7) VegüV).
- it votes on all provisions of the articles of association that by law must be submitted to the general meeting for vote, i.e. with regard to employment contracts and all compensation paid to the board of directors, management and the advisory board (Article 22 (1) (2) VegüV) or principles concerning the organisation of the compensation committee or the transfer of management (Article 12 (1) (3) and (2) (4) VegüV).
- it votes annually and on an individual basis on the permissible direct and indirect compensation (monetary value/value of benefits in kind) paid to the board of directors, management and the advisory board (Article 22 (1) (3) and Article 18 and Article 21 (3) VegüV).

6.2. Responsibilities
(Article 49a (2) (b) BVV 2)

The Board of Trustees shall exercise its shareholder rights within the scope the above-mentioned principles. It may delegate this authority to a committee or another Foundation body, provided that its supervisory obligations and rights of responsibility are not breached.

The Managing Director shall ensure that the Foundation is entered in the share register as a registered shareholder and that it participates in general meetings/the independent proxies are instructed accordingly. It shall regularly report to the Board of Trustees on the Foundation's voting behaviour.

The duty to formally exercise voting rights may be transferred to the Managing Director, who shall consult the Investment Committee as required (see Section 3). In all cases, the Board of Trustees has a right to request information at any time on the exercise of shareholder rights by the Foundation.

The Foundation does not need to directly attend or intervene in general meetings if its independent proxy is able to do so. The Managing Director shall ensure that the independent proxy receives instructions in good time concerning the Foundation's voting behaviour with regard to the proposed agenda items.

6.3. Principles and guidelines
(Article 71 (1) BVG and Article 22 VegüV)

The Foundation shall always exercise its shareholder rights in the interests of the insured persons. This applies provided its voting behaviour is commensurate with the sustainable development of the Foundation with regard to Article 71 (1) BVG.

The shareholder rights may be exercised in accordance with the proposals of the board of directors provided this is in the interests of the insured persons (see above).

[2] Ordinance Against Excessive Compensation in Listed Stock Companies of 20 November 2013

In order to arrive at a consensus as to how its shareholder rights are to be exercised, the Foundation may take into account analyses and voting recommendations from voting right advisors or corporate governance experts; the interests of the insured persons must be taken into consideration here.

6.4. Reporting
(Article 23 VegüV)

The Board of Trustees shall ensure that the insured persons are notified of the Foundation's voting behaviour at least once a year; this information may be provided via the Internet (Article 23 (1) VegüV).

For this purpose, the Investment Committee shall provide regular information on how shareholder rights are exercised at general meetings with regard to Article 22 (1) VegüV and agenda items pursuant to Section 6.1. Any deviations from the proposals of the board of directors and any abstentions from voting shall be appropriately documented (Article 23 (2) VegüV). This reporting obligation shall also apply for indirectly held shares in collective investment schemes or single-investor funds, where these are subject to VegüV).

6.5. Indirectly held shares (collective investment schemes)[3]

If a collective investment scheme holds shares that do not however grant the Foundation any shareholder rights, these rights are not exercised.

If the collective investment scheme holds shares and allows the Foundation to participate in voting at general meetings on a binding basis, i.e. by instructing the independent proxy, the provisions of Sections 6.1 to 6.4 shall also apply with respect to exercising shareholder rights for these collective investment schemes.

If a Foundation is able to express a voting preference to the collective investment scheme, the Board of Trustees shall decide to what extent it makes use of this option.

6.6. Sanctions

Any breach of the obligations to actively exercise shareholder rights in accordance with the statutory provisions (Article 22 VegüV) as well as the disclosure obligations (Article 23 VegüV) by members of the committees or members of the Foundation against their better judgement is a punishable offence.

7. Final provisions

These regulations shall enter into force as of 1 December 2016 subject to approval by the responsible bodies.

[3] Please refer to Article 94 (3) (a) BV and the Additional Report of the Federal Office of Justice dated 8 October 2013 on the draft VegüV, page 12.

Appendix 1: Strategic asset allocation

1. Long-term strategy

Asset class	Investment strategy			BVV 2
	neutral = benchmark	Minimum	Maximum	
Short-term and liquid assets	2.0%	0.0%	10.0%	
CHF bonds	30.0%	20.0%	50.0%	
CHF domestic bonds	*20.0%*	*10.0%*	*25.0%*	
CHF foreign bonds	*10.0%*	*10.0%*	*25.0%*	
Mortgages	0.0%	0.0%	0.0%	
Foreign-currency bonds (hedged)	15.0%	10.0%	20.0%	
Emerging market bonds (hedged)	8.0%	0.0%	10.0%	
Swiss equities	12.0%	10.0%	20.0%	
Foreign equities	13.0%	10.0%	20.0%	
Alternative investments	0.0%	0.0%	0.0%	
Swiss real estate	20.0%	15.0%	25.0%	
Total	100.0%			
Total foreign currencies excl. hedging	13.0%	10.0%	20.0%	30%
Total equities	25.0%	20.0%	40.0%	50%
Total real estate	20.0%	15.0%	25.0%	30%

In managing the assets, if a maximum limit is exceeded pursuant to Articles 53 (1) to (4), 54, 54a, 54b (1), 55, 56, 56a (1) and (5), and 57 (2) and (3) BVV 2, this must be coherently explained in the notes to the annual financial statements pursuant to Article 50 (4) BVV 2, taking into consideration the principles in Article 50 (1) to (3) BVV 2.

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

2. Tactical bandwidths

- A bandwidth is assigned for each asset class based on the percentages set out in the table above.
- The upper and lower tactical bandwidths define the maximum permissible deviations from the strategic target allocation.
- Compliance with the tactical bandwidths is monitored on an at least quarterly basis. If the asset allocation deviates from the tactical bandwidths, adjustments are carried out in accordance with the rebalancing rules (see Appendix 9).

3. Investment guidelines and strategic benchmark

Asset class	Benchmark index (in CHF incl. dividends)	Portfolio strategy
Liquidity		2.0%
CHF domestic bonds	SBI Domestic AAA-BBB (TR)	20.0%
CHF foreign bonds	SBI Foreign AAA-BBB (TR)	10.0%
Mortgages	tbd.	0.0%
Foreign-currency bonds (hedged)	Barclays Global Aggregate AAA-BBB (hedg. into CHF)	15.0%
Emerging market bonds (hedged)	JPM EMBI (hedged into CHF)	8.0%
Swiss equities	Swiss Performance Index (TR)	12.0%
Foreign equities	MSCI DM World ex Switzerland (TR)	13.0%
Alternative investments	tbd.	0.0%
Swiss real estate	KGAST Immo-Index CHF	20.0%
Total		100.0%

Appendix 2: Valuation principles

In principle, all assets must be valued at market values as at the balance sheet date. The prices to be used are those determined by the custodians. Furthermore, the provisions of Article 48 BVV 2 and Swiss GAAP ARR No. 26 (3) shall apply.

Appendix 3: Fluctuation reserves (Article 48e BVV 2)

The fluctuation reserves are governed in the provision regulations.

Appendix 4: Investment guidelines for securities investments

1. Basis

- In principle, securities portfolios are invested in liquid, highly tradable securities that generate a return customary for the market. Here it must be ensured that the investments made are diversified appropriately. (Article 50 (1) to (3) BVV 2, Article 51 BVV 2 and Article 52 BVV 2).
- The investments may not result in any additional liability for the Foundation (Article 50 (4) BVV 2).
- Investments may not involve any leverage; the cases specified in Article 53 (5) BVV 2 are exempt from this rule.

2. Benchmark

A transparent market index must be defined for each asset class as a benchmark. Based on these indices and the neutral weighting in line with the strategic asset allocation, a pension fund-specific benchmark is calculated. Using this composite benchmark, the added value provided by the “active” investment policy compared to a purely “passive” general mixed approach (a so-called indexed investment) is calculated and evaluated.

3. Liquid funds

- Account balances and time deposits may only be held with banks that have a government guarantee or a rating of at least A- (Standard & Poor’s), A3 (Moody’s) or an equivalent rating. If a counterparty is downgraded to a rating below the minimum rating, the position must be liquidated as quickly as possible.
- Liquidity may be held and is used primarily for transactional purposes.
- Instruments containing options such as caps, floors or swaptions are not permitted.

4. CHF bonds (Swiss and foreign)

- Quality and tradability: The bond portfolio must be invested in listed and highly tradable public-sector bonds as well as high-quality bonds issued by private companies and banks (at least BBB- from Standard & Poor's or Baa3 from Moody's). The credit standards apply without exception for all bonds. If a bond is downgraded to below BBB-, it must be sold immediately.
- Bonds that are not in the benchmark index are only permitted if they are debt securities pursuant to Article 53 (1) (b) (1) to (8) BVV 2 or are bonds with a maturity of less than one year, which were previously in the benchmark but were removed solely because of their low residual term to maturity.
- Investment style: The portfolio may track the index or be actively managed.
- Form of investment: Investments may be made in individual securities or collective investment schemes (incl. investment foundations).
- Investments in convertible bonds and cum option bonds are not permitted.
- Instead of CHF bonds, so-called deposit administration contracts may be concluded with first-class insurers.

5. Foreign-currency bonds / emerging market bonds

- Quality: When acquiring foreign-currency bonds, they must have a rating of at least BBB- (BBB- from Standard & Poor's or Baa3 from Moody's or equivalent). If a bond is downgraded to below BBB-, it must be sold immediately.
- Quality: When acquiring the emerging market bonds, they must have an average rating of at least BB (BB from Standard & Poor's or Ba2 from Moody's or equivalent). If the rating of the fund falls below BBB-, it must be immediately verified whether and how quickly the fund units are to be sold.
- Bonds that are not in the benchmark index are only permitted if they are debt securities pursuant to Article 53 (1) (b) (1) to (8) BVV 2 or are bonds with a maturity of less than one year, which were previously in the benchmark but were removed solely because of their low residual term to maturity.
- Tradability: Individual investments must be exchange-listed.
- Investment style: The portfolio may track the index or be actively managed.
- Currencies: In principle, all currencies in the benchmark index (the benchmark universe) are permitted.
- Currency hedging: Currency hedging is permitted and may be up to a rate of 100%.
- Form of investment:
- Foreign-currency bonds: Individual investments and collective investment schemes pursuant to Article 56 BVV 2 (incl. investment foundations) are permitted.
- Emerging market bonds: Only collective investment schemes pursuant to Article 56 BVV 2 (incl. investment foundations) are permitted.
- Investments in convertible bonds and cum option bonds are not permitted.

6. Swiss equities

- Quality: Mainly top-quality equities are acquired. Here it must be ensured that the equities are from a balanced range of sectors.
- Tradability: Individual investments must be exchange-listed on acquisition.
- Investment style: The portfolio may track the index or be actively managed.
- Form of investment: Individual investments and collective investment schemes pursuant to Article 56 BVV 2 (incl. investment foundations) are permitted.

7. Foreign / emerging market equities

- Quality: Mainly top-quality equities are acquired. Here it must be ensured that the equities are from a balanced range of countries and sectors.
- Tradability: Individual investments must be exchange-listed.
- Investment style: The portfolio may track the index or be actively managed.
- Currency hedging: Currency hedging is permitted and may be up to a rate of 100%.
- Form of investment:
  - Foreign equities: Individual investments and collective investment schemes pursuant to Article 56 BVV 2 (incl. investment foundations) are permitted.
  - Emerging markets: Only collective investment schemes pursuant to Article 56 BVV 2 (incl. investment foundations) are permitted.

8. Indirect real estate (Switzerland and abroad)

- Form of investment: Investments may also be made in the form of collective investment schemes pursuant to Article 56 BVV 2 (incl. investment foundations).
- Real estate investments are strategic positions. They target a sustainable increase in value over the long term.
- Real estate: Investments may not be made in
  - collective real estate investment schemes with a long-term loan-to-value ratio of over 50% of the market value.
  - collective real estate investment schemes that generally use borrowed capital (long-term loan-to-value ratio of under 50%) if they are not regulated.

Direct investments in Swiss real estate are covered in Appendix 5.

9. Mortgages

Form of investment: Investments in mortgages may only be made in the form of direct mortgages.

10. Alternative investments

Alternative investments are bonds that cannot not be classified as debt securities pursuant to Article 53 (1). These investments may only be carried out in the form of collective investment schemes pursuant to Article 56 BVV 2.

11. Use of derivative instruments

- In principle, the Foundation only invests in underlying assets.
- Derivative financial instruments such as futures, forwards, swaps and options are only used on a supplementary basis.
- All liabilities that may arise in exercising such an instrument must be covered in full at all times, either using liquidity (for transactions that increase the exposure) or underlying investments (for transactions that reduce the exposure). Leverage (= hidden borrowing) may not be structured at the level of the portfolio as a whole and the short-selling of underlying investments is strictly prohibited.
- In terms of complying with the Board of Trustees' investment guidelines pursuant to Appendix 1, the so-called economic, delta-adjusted exposure shall apply.
- The counterparty in non-standardised transactions (OTC, covered call options etc.) must have a rating of at least BBB (Standard & Poor's) or Baa2 (Moody's). If this rating is downgraded to below BBB, the positions must be closed out within three months. Collective investment schemes may deviate from these rating requirements.
- The provisions of Article 56a BVV 2 and the corresponding expert recommendations from the BSV must be fully adhered to at all times. The Investment Committee may at any time restrict the use of derivative instruments with detailed guidelines; it may not, however, extend the use of such instruments.

12. Securities lending

- Based on Article 53 (6) BVV 2, the framework conditions and provisions of the Collective Investment Scheme Act (Article 55 (1) (a) CISA, Article 76 CISO and Article 1 ff. CISO-FINMA) shall apply with regard to securities lending.
- Securities lending shall only take place on a secured basis and is settled via the global custodian. In principle, securities lending within the collective investment schemes used is also permitted.
- It must be ensured that equities of listed Swiss stock companies are excluded from securities lending in the relevant time periods and that any securities lending transactions do not prevent shareholder rights being exercised pursuant to Section 6 of the Investment Regulations.

13. Repurchase agreements

- Based on Article 53 (6) BVV 2, the framework conditions and provisions of the Collective Investment Scheme Act (Article 55 (1) (b) CISA, Article 76 CISO and Article 11 ff. CISO-FINMA) shall apply with regard to repurchase agreements.
- In a repurchase agreement, the Foundation may only act as the purchaser (reverse repo). The Foundation is expressly prohibited from acting as the seller (Article 53 (6) BVV 2).
- Repurchase agreements are settled via the corresponding custodian bank. Repurchase agreements within the collective investment schemes used are also permitted.
- It must be ensured that equities of listed Swiss stock companies are excluded from repurchase agreements in the relevant time periods and that any repurchase agreements do not prevent shareholder rights being exercised pursuant to Section 6 of the Investment Regulations.

14. Asset management mandates

As part of the asset management mandates, the above-mentioned regulations and guidelines may be further refined or restricted.

Appendix 5: Investments in Swiss real estate

- Real estate investments are strategic positions. They target a sustainable increase in value over the long term.
- When selecting direct investments, the following criteria must be considered, among others:
  - Income
  - Location
  - Condition and fit-out standard (building materials, level of maintenance)
  - Mix of various types of use
  - Balanced rent schedule
  - Appropriate rent levels
  - No suspicion of contaminated site
- In principle, a return should be generated that is customary for the market.
- With direct investments, the Foundation takes suitable measures to consistently maintain the quality; these may include:
  - Structural precautions
  - Institutional organisational precautions
- The investments may not result in any additional liability for the Foundation (Article 50 (4) BVV 2). Investments in individual pieces of real estate are excluded pursuant to Article 54b (2) BVV 2.

Appendix 6: Investments in the employer (Article 57 BVV 2)

In general, investments in the employer are not permitted. This rule does not apply to securities that are acquired by external asset managers as part of their asset management activities.

If the payment transactions are settled via the employer (contribution payments, premium payments, collections), short-term credit balances at the employer are permitted up to a value of two monthly contributions.

The provisions of Article 57 BVV 2 must be fulfilled at all times.

Appendix 7: Asset management costs (Article 48a (1) BVV 2)

Asset management costs are presented pursuant to Article 48a BVV 2 in accordance with the directive OAK BV W-02/2013 “Statement of asset management costs”.

Appendix 8: Organisational chart for the investment organisation

The Foundation's investment organisation is set out in the chart below:

Stiftungsrat

Hauptaufgaben

Legt Anlagerichtlinien mit Langfrist-Strategie und taktischen Bandbreiten fest.

Ernennt und beauftragt die Anlagekommission und bei Bedarf einen unabhängigen externen Anlageexperten.

Wählt die Vermögensverwalter.

Anlagekommission

minimale Zusammensetzung

3 Stiftungsräte

Geschäftsführung (ohne Stimmrecht)

je nach Bedarf unabhängiger externer Anlageexperte (jeweils ohne Stimmrecht)

Hauptaufgaben

Steuert, koordiniert Anlagetätigkeit der Vermögensverwalter.

Entscheidet über Mittelzuteilung an Vermögensverwalter.

Beauftragt die Vermögensverwalter.

Rapportiert an Stiftungsrat.

unabhängiger externer Anlageexperte

Hauptaufgaben

Überprüft periodisch das Anlagereglement, die Mandatsvorgaben und die Anlagerichtlinien.

Ist Ansprechpartner für den Stiftungsrat, die Anlagekommission und die Geschäftsführung.

Erarbeitet Entscheidungsgrundlagen für die Strategie und berechnet die Wertschwankungsreserven.

Unterstützt den Stiftungsrat und die Anlagekommission bei der Umsetzung der Anlagestrategie sowie bei der Überwachung des Anlageprozesses.

Geschäftsführung

Hauptaufgaben

Liquiditätsplanung und Kontrolle.

Plant und überwacht Mittelzuteilung an Vermögensverwalter.

Unterstützt die Anlagekommission bei der Organisation und Überwachung der Anlagetätigkeit der Vermögensverwalter.

Vermögensverwalter

Zusammensetzung

Kategorienmandate (aktiv und / oder passiv) oder gemischte Mandate.

Hauptaufgaben

Bewirtschaftung klar definierter Portfolios auf Mandatsbasis.

Rapportieren an Anlagekommission.

Appendix 9: Rebalancing

Checks are carried out each month as part of the reporting process to ensure compliance with the tactical bandwidths.

Rebalancing is carried out
- immediately in the event of active breaches and falling below the lower bandwidth (exception: real estate direct investments).
- in the following month if the upper bandwidth is exceeded by more than 10% as a result of a passive breach.

This is not required if the breach has been corrected independently (by a corresponding market movement) or by means of payment flows in the meantime (between the month end and the breach being discovered).

Rebalancing takes place on a passive basis and not based on forecasts. The aim of rebalancing is to reduce tactical risks. This means that the main priority is to correct any deviations in the portfolio structure from the strategic allocation in terms of the intrinsic/nominal values. The second priority is to restore the individual asset classes to the strategic allocation. The third priority is to check that the ratio of indexed and actively managed portfolio components is in line with the strategic allocation.

Rebalancing is carried out by management in consultation with the Investment Committee. In case of doubt, the Board of Trustees must be consulted.

Appendix 10: List of abbreviations

BSV	Bundesamt für Sozialversicherungen = Federal Social Insurance Office
BVG	Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge = Federal Act on Occupational Retirement, Survivors' and Disability Benefits
BVV 2	Verordnung über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge = Federal Ordinance on Occupational Retirement, Survivors' and Disability Benefits
FinfraG	Finanzmarktinfrastrukturgesetz = Financial Market Infrastructure Act
FinfraV	Finanzmarktinfrastrukturverordnung = Financial Market Infrastructure Ordinance
SMIC	Swiss Market Index (reinvested)
SPI	Swiss Performance Index
OTC	Over the counter: If derivatives are not traded on the exchange, they are referred to as OTC transactions.
VegüV	Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften = Ordinance Against Excessive Compensation in Listed Stock Companies