

# Investment Regulations

Valid as of January 1, 2020

Where versions of these regulations exist in different languages, should they give rise to discrepancies, the German version takes precedence.

# Table of contents

Art. 1	Purpose	3
Art. 2	Goals of the investment strategy	3
Art. 3	Procedure	3
Art. 4	Board of Trustees	4
Art. 5	Investment process	4
Art. 6	General investment instructions	4
Art. 7	Loyalty in asset management	6
Art. 8	Exercise of shareholder rights	7
Art. 9	Reporting and controlling of the administration	8
Art. 10	Temporary provisions	8
Art. 11	Changing the regulations	8
Art. 12	Effective date	8

Based on Art. 49a of the Ordinance on Occupational Retirement, Survivors' and Disability Pensions Plans (OPO 2) and on Art. 11 and 30 of the framework regulations of the Agilis 1e Collective Foundation (hereinafter the "Foundation"), the Board of Trustees is enacting the following regulations.

**Art. 1 Purpose**

- <sup>1</sup> These regulations address the asset management principles of the Foundation and provide guidance for the Board of Trustees, the custodian bank, and the Foundation Management.
- <sup>2</sup> The Investment Regulations formulate the medium- to long-term goals concerning asset management and shall be adapted by the Board of Trustees as needed.

**Art. 2 Goals of the investment strategy**

- <sup>1</sup> The investment strategy is implemented in a manner that makes it possible to manage the assets within the investment instructions and in compliance with the provisions as per Art. 71 of the Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans (OPA) and Art. 49a OPO 2.
- <sup>2</sup> The Board of Trustees defines investment strategies according to Art. 1e OPO 2 which, according to Art. 50 – 52 OPO 2, consider the following aspects: return, liquidity, security, and risk distribution. As per Art. 19a of the Swiss Vested Benefits Act (VBA), at least one strategy should correspond to a low-risk investment as per the definition in Art. 53a OPO 2. The investment strategies are listed in the annex.
- <sup>3</sup> The return possibilities on the financial markets should be exhausted optimally, unforeseen drops in earnings should be limited as far as possible, and critical developments in asset management should be detected early on.
- <sup>4</sup> It must be possible to meet payment obligations in compliance with the foreseeable maturities.
- <sup>5</sup> The risk capacity must be taken into account diligently and scrupulously at all times.
- <sup>6</sup> The asset investments should be structured within the general investment instructions and according to the investment strategy of the insured person.

**Art. 3 Procedure**

- <sup>1</sup> Organization and authorization regulation

The organization and authorization regulation guarantees optimum management and decision-making processes where the investments are concerned. The management organization incorporates the following two levels:

- a) Board of Trustees
- b) Foundation Management (see Art. 5 of the Organizational Regulations)

**Art. 4 Board of Trustees**

<sup>1</sup> Responsibilities and tasks

The Board of Trustees organizes asset investments for the Foundation. The following, in particular, are among its responsibilities:

- a) Issuing and modifying these regulations and their annexes
- b) Defining the investment strategies as per Art. 2.2
- c) Approving any expansions of investment opportunities and defining any investment restrictions (sectors, regions, etc.)
- d) Organizing controlling by regularly monitoring the investments (or having them monitored) in terms of performance, risks, and costs
- e) Selecting one or several external consultants, where applicable

The Board of Trustees shall take the measures necessary to guarantee compliance with these regulations and the fulfillment of the purpose of the pension fund.

The Board of Trustees must ensure itself that the investment strategies are consistently defined in accordance with the targets.

**Art. 5 Investment process**

- <sup>1</sup> Investment strategies are determined by the Board of Trustees, and the Pension Planning Commission selects a maximum of nine of these strategies in addition to the low-risk strategy. These strategies are then provided to the insured party for selection (see the investment strategies in the annex). The investment strategy selected must correspond to their individual risk capacity. The insured party records it in a strategy form (see the document in the annex).
- <sup>2</sup> The administration examines the selected investment strategy. Based on the risk capacity of the insured person, among other things, it decides whether the selected strategy can be implemented to the desired extent.
- <sup>3</sup> The criteria for determining the risk capacity are the expected time horizon and the risk tolerance test (see Art. 4 Para. 2 of the Organizational Regulations).
- <sup>4</sup> The Foundation manages a pension portfolio for every insured person.
- <sup>5</sup> The insured person may change their investment strategy twice a year or after a larger purchase, early withdrawal for promotion of home ownership and redemption, and in the event of incoming or outgoing vested benefits. The insured person submits a new strategy form to the Foundation.
- <sup>6</sup> Should the pension capital of an insured person be less than CHF 25,000.00, it shall not be invested as a rule.

**Art. 6 General investment instructions**

- <sup>1</sup> The Foundation guarantees that all investments are compatible with Art. 49 to 59 OPO 2. It can approve an expansion of the investment opportunities as per Art. 50 Para. 4bis OPO 2 if compliance with the safety and risk distribution principles in the annex of the financial statements can be clearly demonstrated.
- <sup>2</sup> General investment provisions and investment categories

The assets in the Foundation can be invested in:

- a) cash;
- b) claims for a fixed cash amount, which is to say post check and bank credit, bonds (including other bonds with conversion and option rights), mortgage titles, mortgage notes, and other acknowledgments of debt and borrower's notes, regardless of whether they have been certified as securities or not;
- c) stakes in companies whose sole business purpose is the acquisition and sale, as well as renting and leasing, of its own properties and real estate (real estate business);
- d) equities, participation certificates, dividend-right certificates, and similar securities and stakes, as well as certificates of shares in cooperatives; stakes in companies with main offices abroad are allowed if they are listed in a stock exchange;
- e) alternative investments without supplementary payment obligations, such as hedge funds, private equity, insurance-linked securities, commodities, and infrastructure. Alternative investments may be made only through diversified collective investments and diversified structured products. Exception: Investments in gold and perpetual bonds (perpetuals) are allowed up to a maximum amount of 5%.

### <sup>3</sup> Investment limits

The following investment limits shall apply according to pension legislation:

- a) 100 %: For claims against borrowers whose main office or residence is in Switzerland, but at most 10 % per borrower unless claims against the federal government, mortgage note centers, insurance institutions based in Switzerland or in Lichtenstein, a canton, or a community are concerned.
- b) 50 %: For mortgage titles to real estate as per Art. 53 Para. 1 Letter c OPO 2; however, they may be mortgaged for up to a maximum of 80 % of the market value. Swiss mortgage notes are handled as mortgage titles; however, a maximum of 10 % of total assets may be invested with one individual debtor according to Art. 54 Para. 1.
- c) 30 %: For real estate investments, of which at most a third may be abroad. Investments in real estate may amount to no more than 5 % per property in relation to total assets.
- d) 50 %: For equities, but at most 5 % per company.
- e) 30 %: For investments made in foreign currency without currency hedging.
- f) 15 %: For alternative investments.

As long as security, risk distribution, risk capacity, and risk disposition are complied with, each of the aforementioned categories c), e), and f) may be exceeded by 20 % in absolute value at the level of the individual pension portfolio, and category d) may be exceeded by 35 % in absolute value.

### <sup>4</sup> Collective investments

The Foundation can have a stake in collective investments as per Art. 56 OPO 2 insofar as:

- it makes the investments itself pursuant to Art. 53 OPO 2; and
- the organizational form of the collective investment concerning the establishment of the investment guidelines, authorization regulation, allocation determination, as well as purchases and returns of the shares is regulated so the interests of the foundations involved are safeguarded in a transparent manner.

For compliance with the limits as per Art. 54 OPO 2 and the combined totals as per Art. 55 OPO 2, the direct investments contained in the collective investments must also be included in the calculation. The borrower- and company-related limits as per Art. 54 OPO 2 are considered to be complied with if:

- the direct investments in the collective investment are adequately diversified; or
- the individual participation in a collective investment amounts to less than 5 % of the total pension portfolio.

Participations in collective investments are deemed equivalent to the direct investments if they fulfill the requirements mentioned above.

- <sup>5</sup> The assets in the Foundation cannot be invested as a direct investment in residences or business premises, in condominium ownership and in constructions under construction law, or building land. Pooled real estate investments via investment funds, investment foundations, and affiliated companies are allowed.
- <sup>6</sup> The Foundation is the contracting party for investments in mortgage titles as per Art. 55 OPO 2. The guidelines and principles for mortgage loans are determined by the Board of Trustees.
- <sup>7</sup> The Foundation can approve the use of derivative financial instruments upon written request (Art. 56a OPO 2). Approval can be granted if the collective of insured parties or the insured party has the appropriate risk capacity. For the implementation, only such instruments are allowed as contain no supplementary payment obligation for the Foundation.
- <sup>8</sup> Within a pension scheme, for at least one investment strategy, the possibility of expanding the investment opportunities as per OPO 2 Art. 50 Para. 4bis can be claimed. Compliance with OPO 2 Art. 50 Para. 1–3 is to be clearly proven in the financial statements. Investments with supplementary payment obligations are forbidden in all cases. The use of derivative financial instruments may not exercise any leverage effect on total assets.

## **Art. 7 Loyalty in asset management**

- <sup>1</sup> The Board of Trustees and all persons entrusted with administration or asset management must have a good reputation and guarantee irreproachable business activities. They are also subject to fiduciary due diligence and must preserve the interests of the insured parties. They make sure that no conflict of interest arises due to their personal or business circumstances.
- <sup>2</sup> The Board of Trustees selects the custodian bank and the asset management.
- <sup>3</sup> With investments and management of its pension assets, the Foundation may entrust only persons and institutions that are capable of carrying out these activities and are organized in such a way that they can guarantee compliance with the statutory loyalty provisions as per Art. 48f – 48h OPO 2. The Foundation monitors this compliance.
- <sup>4</sup> Proprietary transactions shall be allowed only if such transactions are not abusive as per Art. 48j OPO 2. Persons involved in the Foundation Management, administration or asset management must act in the interests of the Foundation and, in particular, must not take advantage of knowledge of the Foundation's orders to conduct transactions for their own account in line with the orders in advance, in parallel, or immediately afterwards (front / parallel / after running).

- <sup>5</sup> The legal transactions concluded by the Foundation must correspond to standard market conditions. In the event of significant transactions with related parties, competing offers must be obtained. In that process, the granting process must be completely transparent.
- <sup>6</sup> Persons and institutions entrusted with asset management of the Foundation must record the type, manner, and amount of compensation in a clearly determinable manner in a written agreement. They absolutely must give the Foundation all additional financial benefits that they receive in conjunction with exercising their activity for the Foundation.
- <sup>7</sup> Persons who achieve personal financial benefits by way of exercising their activity for the Foundation must disclose this in a written declaration for the attention of the Board of Trustees on an annual basis. The Board of Trustees shall disclose this to the auditor.
- <sup>8</sup> Minor gifts and typical occasional gifts of at most CHF 200 per instance and CHF 1,000 per year and per business partner shall not be subject to disclosure.

**Art. 8 Exercise of shareholder rights**

- <sup>1</sup> The voting and election rights of Swiss company equities which the Foundation holds directly and which are listed in Switzerland or abroad are systematically exercised in the interests of the insured persons and with regard to the following proposals:
  - Elections (the members of the Board of Directors, the Chairman, the members of the remuneration commission, and of the independent voting representative)
  - Remuneration (total amounts to the BoD, Executive Board, and advisory council)
  - Changes to the statutes concerning remuneration (framework conditions)
- <sup>2</sup> When evaluating the proposals, the Foundation shall be oriented towards the long-term interests of the shareholders. The condition that the Foundation can continue to thrive shall take center stage in that process.
- <sup>3</sup> The interests of the insured parties shall be considered preserved if, above all, votes are made in the long-term (financial) interests of the company shareholders. It is ensured that the value of the company concerned is maximized in the long term. In the process, when exercising their right to vote, the decision makers shall orient themselves towards the principles of yield, security, liquidity, and sustainability (Art. 71 OPA: principles of asset management).
- <sup>4</sup> The voting rights shall be exercised as per the Board of Directors' suggestion if the proposals do not contradict the interests of the insured persons.
- <sup>5</sup> The Board of Trustees decides on the procedure for exercising the rights to vote and defines the concrete votes to be cast. There is generally no need for immediate presence at the Annual General Meeting. The services of independent voting representatives can be utilized to cast the actual votes.
- <sup>6</sup> The implementation can, in the scope of these provisions, be transferred to an investment / voting committee or to an external voting rights consultant.
- <sup>7</sup> The voting behavior is disclosed to the voters once a year in a summary report. Rejections and withheld votes are mentioned in detail.
- <sup>8</sup> Securities lending is not allowed if, as a result, the exercise of voting rights is made impossible.

**Art. 9 Reporting and controlling of the administration**

- <sup>1</sup> The reporting and controlling of the administration shall be organized to ensure a timely and reliable supply of the required information relevant to management and so the asset management transparency required for efficient management shall be guaranteed continually and at all times.
- <sup>2</sup> The Board of Trustees shall periodically, but at least once a year, receive an overall evaluation from the custodian bank which shall contain the performances and the investment details per pension portfolio.
- <sup>3</sup> Periodically, but at least every half year, the Board of Trustees shall summarily examine the individual pension portfolios and guarantee compliance with the investment instructions.
- <sup>4</sup> The reporting shall be prepared for the attention of the Board of Trustees so it can make the required decisions. To prevent conflicts of interest, the task areas are divided into asset management, Foundation Management, and controlling.
- <sup>5</sup> On an annual basis, the Board of Trustees shall check the appropriateness of these regulations and decide on any necessary changes.
- <sup>6</sup> The GAAP FER 26 (Art. 47 and 48 OPO 2) specialist requirements concerning accounting shall apply for postings and valuations.
- <sup>7</sup> The Board of Trustees shall appoint an auditor. This auditor must inspect the Foundation Management, accounting, and the asset investments of the Foundation on an annual basis.

**Art. 10 Temporary provisions**

- <sup>1</sup> All regulatory provisions valid as of March 31, 2019 shall apply to persons insured prior to April 1, 2019.
- <sup>2</sup> The insurance coverage pursuant to Para. 1 shall last until the end of the temporary employment agreements.

**Art. 11 Changing the regulations**

- <sup>1</sup> The Board of Trustees may enact changes to these regulations at any time.

**Art. 12 Effective date**

- <sup>1</sup> These regulations were approved by the Board of Trustees and shall enter into force as of January 1, 2020
- <sup>2</sup> They replace the investment regulations that entered into force on April 1, 2019.

Lucerne, December 17, 2019

Foundation Board Agilis 1e Collective Foundation

**Annexes to the regulations**

- Resolution on investment strategy selection
- Risk profile, selection of investment strategy