

Investment Regulations

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PensUnit

Your tailor-made Bel-étage pension solution

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On the basis of Art. 49a BVV 2/OPP 2, the Foundation Board approves the following Investment Regulations. Within the framework of the statutory regulations relating to extramandatory occupational pension provision, the Foundation Deed, the Pension Fund Regulation as well as the Organisational Regulations, they define the provisions for execution, which must be adhered to in the management of the pension capital of the insured persons.

1. Basic principles of the investment strategies

- 1.1 The Foundation pursues various investment strategies for the affiliated pension funds, adapted to suit the varying levels of risk capacity and risk tolerance. Each Pension Fund Commission selects an investment strategy, adapted to suit the corresponding risk capacity and risk tolerance.
- 1.2 The following aspects must be adhered to in the management of the pension capital:

Liquidity aspect

The assured benefits must be available to be paid out on time, at any time.

Security aspect

The investment strategy is determined according to the corresponding risk capacity and risk tolerance.

Profitability aspect

Taking into account the risk capacity and risk tolerance, the aim of the investment strategy is to achieve an appropriate level of performance for the pension capital.

- 1.3 Insofar as the pension capital are not invested in collective investments subject to the BVV 2 /OPP 2, investments in all investment categories are permitted – subject to Art. 3.1. In this context, the debtor credit ratings must be impeccable and the investments must be sufficiently diversified. The use of derivatives is permitted within the scope of the risk capacity and risk tolerance

2. Organisation and Processes

2.1 Foundation Board

The Foundation Board:

- specifies the basic principles of the investments.
- specifies which custodian banks and asset managers are available for selection by the Pension Fund Commission.
- concludes an asset management framework agreement with the selected asset managers.
- conducts an annual review of the adherence to the basic principles of the investments.
- is responsible for the coherent presentation of any expansion of investments in accordance with Art. 50 Para. 4 BVV 2/OPP 2 in the annual report.

- makes decisions on the exercising of the shareholder voting rights (see Art. 4 of the Investment Regulations).
- annually specifies the rate of interest to be paid by the insured for own mortgages. In this context, the Foundation Board is guided by the standard market interest rates of the cantonal banks and major banks for variable rate mortgages.
- In special cases (e.g. major crises in the capital market, underfunding, insufficient accumulation of collective fluctuation reserves) has the right to remove the Pension Fund Commission's option to select how the pension capital is invested (immediate withdrawal) and, on request, to exert a direct influence over its investment strategy.

2.2 Pension Fund Commission

On the basis of Art. 6., the Pension Fund Commission decides how the pension capital of all insured persons, the collective fluctuation reserves and the employer contribution reserves are invested and informs the Foundation Board in writing of the desired investment strategy.

2.3 Custodian bank

The custodian bank:

- only invests, if the strategy sheet and investment profile (for discretionary asset management mandates), signed by the Foundation, are available.
- only invests or sells on the instructions of the asset manager or the Pension Fund Commission.
- sends the Pension Fund Commission a periodic overall evaluation, at least once a year, showing the performance, costs and details on investments.

2.4 Asset manager

The asset manager:

- only invests, if the strategy sheet and investment profile (for discretionary asset management mandates), signed by the Foundation, are available.
- is responsible for the implementation of the defined investment strategy.
- monitors the adherence to the investment regulations and investment strategies.
- reports any deviations to the Pension Fund Commission and the Foundation.
- reports to the Foundation half-yearly on the adherence to the investment regulations.
- is responsible for making the necessary liquidity available promptly.
- sends the Foundation Board a periodic overall evaluation, at least once a year and on demand, showing the performance, costs, details on investments and the adherence to the investment regulations.

2.5 Relationship Manager / Asset Manager

The Relationship Manager of PensExpert AG or the Asset Manager:

- informs the Pension Fund Commission about the opportunities and risks of the investment strategies.
- informs the Pension Fund Commission about the Foundation's Investment Regulations.
- signs the strategy sheet, thus confirming that the obligations to provide the Pension Fund Commission with information have been met.

2.6 Management

The Management:

- approves the investment strategy selected by the Pension Fund Commission or submits a counterproposal.
- checks the adherence to the investment regulations every six months.
- reviews the investment strategies periodically or if required due to extraordinary events.

3. Investment Regulations

3.1 Permitted investments

The pension assets can be invested in:

a) Liquid assets

b) Receivables in the form of a fixed cash amount

1. Giro and bank deposits
2. Money market investments with terms of up to 12 months,
3. Treasury bonds,
4. Bonds, including those with conversion rights or warrants,
5. Secured loans,
6. Swiss mortgage deeds,
7. Acknowledgments of debt from corporations under Swiss public law,
8. Surrender values of collective insurance contracts,
9. In the case of investments which are geared towards a standard and broadly-diversified index in widespread use: the receivables included in the index;

Claims which are not listed under b) count as alternative investments in accordance with e).

c) Investments in companies whose sole business purpose is the acquisition and sale as well as rental and leasing of its own land and properties (real estate companies);

d) Shares, participation and dividend-right certificates and similar securities and investments as well as cooperative share certificates; investments in companies are permitted, if they are listed on a stock exchange or another market which is accessible to the general public;

e) Alternative investments without any additional funding obligations; such as hedge funds, private equity, insurance linked securities, commodities and infrastructures.

Alternative investments may only be made by using diversified, collective investments, diversified certificates or diversified, structure products.

Non-diversified collective investments are permitted as alternative investments providing the collective investments are regulated by FINMA or are authorised for sale in Switzerland. A maximum of 5% of the pension assets can be invested per investment strategy and investment.

Physical and non-diversified collective investments in precious metals (e.g. ETF gold) are limited to 5% per commodity investment.

Individual investments in lower-ranking and perpetual bonds are categorised as alternative investments and are limited to 5% of the pension assets.

Both direct as well as collective investments are permitted for the implementation of the investment strategy in accordance with a) – d).

Claims to / shares in collective investments (joint investments) are permitted within the framework of Art. 56 BVV 2/OPP 2.

The Foundation does not permit securities lending.

3.2 Individual debtor limits on the Foundation level

With reference to Art. 50 Para. 4 BVV 2/OPP 2 (expansion of the investment options), a maximum of 25% of the pension assets may be placed as liquid assets with a government-backed cantonal bank.

If the liquidity at a partner bank as at 31 December is more than 10% of the pension assets of the Foundation, this liquidity must be reduced to the permitted level within 6 months (exception: Government-backed cantonal bank).

3.3 Individual debtor limit on the pension fund level

The individual limits are:

- a) 10% receivables
- b) 10% own mortgages
- c) 5% investments in equities and participations
- d) 5% real estate

3.4 Own mortgages

Own mortgages are where the decision on the investment is effectively taken by the insured who grants him/herself a mortgage. These may be granted within the framework of a pension fund, which carries out the investment itself and where the virtual collectivity is fulfilled. This is the case, if an insured person is insured solely in this pension fund.

Own mortgages may not exceed 10% of the assets.

With own mortgages, the expansion of the investment options in accordance with Art. 50.4 BVV 2/OPP 2 is only permitted in justified individual cases.

3.5 Category limits on the Foundation level

- a) 50% for investments in equities
- b) 30% for investments in real estate, a maximum one third of which may be abroad
- c) 15% for alternative investments
- d) 30% for foreign currencies without currency hedging

3.6 Category limits on the pension fund level

Providing the security, risk spread, risk capacity and risk tolerance requirements are met, the categories a) to c) in accordance with Art. 3.5 of these Investment Regulations may be exceeded by 10 percentage points respectively in absolute terms.

3.7 Single limits on the pension fund level

Providing the security, risk spread, risk capacity and risk tolerance requirements are met, the individual limits in accordance with Art. 3.3. a) can be increased. This requires the prior consent of the Foundation.

3.8 Liquidity availability

Only investments, which can be liquidated within two months, are permitted.

This period can be extended providing this is in line with a pension fund's risk capacity and risk tolerance. This requires the prior consent of the Foundation.

4. Exercising the Foundation's rights as a shareholder

4.1 The Foundation Board defines the rules on exercising the rights as a shareholder in accordance with Art. 49a Para. 2 b BVV 2/OPP 2.

4.2. The organisation of the exercising the rights as a shareholder are laid down in the Organisational Regulations.

4.3. The exercising of the rights as a shareholder is restricted to the participation rights such as voting right, electoral right, participation in the General Meeting of Shareholders, right to add items to the agenda etc.

4.4. The shareholder's rights will be exercised in the interests of the insured persons. In this context, the Foundation is guided by the recognised principles of good corporate governance.

4.5. Furthermore, in exercising the voting and electoral rights, the Foundation is guided by the following rules:

- The Foundation will fundamentally follow the recommendation of the company's Board of Directors.
- All shareholders should be treated equally in accordance with the principle of "one share, one vote".
- The Board of Directors acts in the interest of the company and the shareholders. The emphasis is on independence, sufficient training and the avoidance of conflicts of interest.
- The remuneration structure must be appropriate and the interests of the management must be consistent with the interests of the shareholders.
- The policy on communication and information should be timely, transparent and comprehensible.

5. Loyalty in asset management

- 5.1 All persons or institutions entrusted the Foundations' asset management must fulfil the conditions required for loyalty in asset management in accordance with Art. 48 f – 1 BVV 2/ OPP 2 and must comply with all other pertinent codes of conduct.
- 5.2 All pecuniary advantages must be passed to the Foundation. In addition, unless specified otherwise in separate contracts with asset managers, confirmation of compliance with the codes of conduct relating to integrity and loyalty in asset management must be submitted to the Foundation annually in writing.
- 5.3 The following are excluded from these basic principles:
- Occasional gifts: Occasional gifts are deemed to be one-off gifts to the maximum value of CHF 200 per case and CHF 1'000 per year.
 - Invitations: Invitations to a day event such as e.g. technical seminars are permitted. If the event lasts for more than one day the consent of the Foundation Board will be required.
- 5.4 The acceptance of personal pecuniary advantages in the form of monetary payments (cash, vouchers, discounts etc.) is not permitted.

6. Selection of investment strategy by the Pension Fund Commission

- 6.1 On the basis of the pension fund's risk capacity and risk tolerance, the Foundation decides whether the choice of strategy selected by the Pension Fund Commission is realisable to the extent required. The following criteria, amongst others, are taken into consideration by the Foundation when determining the risk capacity:
- Number of insured persons
 - Time frame (age of the insured persons and fluctuation risk)
 - Collective fluctuation reserves
- 6.2 If the Pension Fund Commission chooses an investment strategy which includes mortgages, all insured persons of the corresponding pension fund shall bear joint and several liability for any default risks.
- 6.3 The Pension Fund Commission must notify the Foundation in writing of its choice of custodian bank, asset manager and investment strategy.
- 6.4 A change in the custodian bank is permitted on expiry of the affiliation agreement with the Foundation, giving 6 months' notice in advance. A change in the custodian bank during the term of the affiliation agreement is permitted, giving 6 months' notice in advance, to the end of a month respectively. This excludes as at 31 October, 30 November and 31 December. A transfer of securities on a change of custodian bank is not possible in every case. Any costs will be borne by the pension fund.
- 6.5 There is no entitlement to a minimum rate of interest. In the event of an underfunding, following consultation with the Foundation, the pension fund is obligated to take measures to rectify the situation (see Pension Fund Regulations).

7. Timing of the investment, change of strategy for investment solutions and reinvestment of distributions

- 7.1 Ordinary savings contributions and voluntary purchases, which are received at the Foundation by the end of October, will normally be invested within the framework of the selected collective investments (investment foundation or investment fund offered) within 30 days.
- 7.2 Ordinary savings contributions and voluntary purchases, which are received at the Foundation from 1 November to mid-December, will be invested within the framework of the selected collective investments (investment foundation or investment fund offered) within 60 days. Subsequent payments received will normally not be invested until the following January.
- 7.3 A change within the collective investment instruments (investment foundation or investment fund offered) can be made at any time. In this context, consideration must be given to the corresponding risk capacity and risk tolerance. The requested amendment will normally be made by the Foundation within 30 working days after receipt of the corresponding notification.
- 7.4 Any change in accordance with Art. 7.3. must be notified to the Foundation in writing.
- 7.5 In the absence of instructions from the Pension Fund Commission to the contrary, any distributions from investment solutions (investment foundations or investment funds) will be automatically reinvested.

8. Collective fluctuation reserves

- 8.1 On the basis of the chosen investment strategy (percentage of equity and alternative investments), the pension fund must accumulate the following collective fluctuation reserves:

Max. share equity and alternative investments (incl. upper bandwidth)	Target level collective fluctuation reserves as a percentage of the retirement assets	Period for the accumulation of the fluctuation reserves (years)
0%	10%	2
30%	20%	3
60%	30%	4
85%	35%	5

- 8.2. No collective fluctuation reserves are required for pure account solutions.
- 8.3 The target level for the collective fluctuation reserves can be deposited on commencement of the contract or accumulated gradually.
- 8.4. The collective fluctuation reserves are accumulated through deposits by the employer or through a positive performance of the investments.

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- 8.5. In accordance with Art. 46a and b BVV 2/OPP 2, after reaching 75% of the target level for the collective fluctuation reserves, benefit enhancements or interest rate subsidy payments can be made using a maximum 50% of the annual surplus income achieved.
- 8.6. The level of interest is determined by the Pension Fund Commission within the framework of the requirements of the Foundation Board and Investment Regulations. The interest is paid at the end of the calendar year according to the level of the retirement assets at the start of the same year. No interest is paid on the retirement credits of the current year. Interest on the deposits and withdrawals made during the calendar will be paid with effect from their date.

9. Basic accounting principles

9.1 The accounting for the investments is as follows:

Liquid assets, fixed deposits, receivables

- | | |
|-----------------------|---------------|
| - in CHF | nominal value |
| - in foreign currency | nominal value |

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- | | |
|-----------------------|--------------|
| - in CHF | market value |
| - in foreign currency | market value |

- | | |
|-----------------------------------|---------------|
| Loan secured by mortgage | nominal value |
| Collective investments | market value |
| Bonds with warrants | market value |
| Equities and other participations | market value |
| Direct real estate investments | income value |

- 9.2 Assets and liabilities are valued in accordance with the technical accounting recommendations of Swiss GAAP FER 26.

10. Relationship with the Pension Fund Regulations and effective

These Investment Regulations are deemed an integral part of the Pension Fund Regulations and come into force with effect from 1 October 2018.

11. Binding language

German is the definitive language for the interpretation of all regulations.

Lucerne, 5 September 2018

Foundation Board of the
PensUnit Collective Foundation