

Investment Regulations

Valid with effect from 1 January 2020

Table of contents

Contents	Page
A) General	03
Art. 1 Purpose	
B) Basic Principles of the Management of Pension Assets	
Art. 2 Basic principles of asset management	
Art. 3 Investment strategies for account and securities-based savings	04
Art. 4 Permitted investments and limits	
Art. 5 Specifications for the permitted investments	05
Art. 6 Expansion of the permitted investment options	
C) Organisation	06
Art. 7 Insured members' choice of strategy and transfer of securities	
Art. 8 Changes in strategy and distributions	
Art. 9 Shareholder's right to vote	07
Art. 10 Basic principles of accounting	
D) Duties and Competencies	
Art. 11 Duties, rights and obligations	08
Art. 12 Integrity and loyalty in asset management	09
E) Final provisions	
Art. 13 Final provisions and effective date	

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Based on Art. 5 BVV 3 / OPP 3 and Art. 49a BVV 2 / OPP2, the Board of Trustees issues the following investment regulations. Within the framework of the legal provisions governing occupational benefits, the Foundation Deed, the Pension Fund Regulations and the Organisational Regulations, these Regulations lay down the implementing provisions to be observed when managing the pension assets of beneficiaries

A) General

1 Purpose

These rules establish the objectives and basic principles of asset management as well as the execution and monitoring of the asset management within the framework of the statutory requirements.

B) Basic Principles of the Management of Pension Assets

2 Basic principles of asset management

2.1 The Foundation offers investment strategies which are adapted to the risk capacity and risk tolerance of the insured member.

2.2 The emphasis of the asset management is placed on the financial interests of the insured member.

2.3 The following aspects must be adhered to in the management of the pension assets:

- **Liquidity**

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

- **Security**

The insured member selects an investment strategy which matches his or her risk capacity and risk tolerance.

- **Diversification**

The investment of the pension assets must adhere to the basic principle of an appropriate spread of risk. In particular, the assets must be spread between various investment categories, regions and industry sectors.

- **Profitability**

The strategies the Foundation offers must enable the pension assets to achieve a performance appropriate to the risk capacity and risk tolerance of the individual insured member.

2.4 To ensure the liquidity for the bank and foundation fees, the Foundation may leave an amount of approximately CHF 1'000 on the account. The Foundation and the custodian bank are further authorised to independently carry out disposals, if there is insufficient liquidity in the account to pay these fees.

3 Investment strategies for account and securities-based savings

3.1 Insured members are offered a variety of investment strategies for account and securities-based savings. Combinations of the following investment strategies are also permissible.

3.1.1 Account-based investments

The banking partner must be subject to the Federal Financial Market Supervisory Authority (FINMA).

3.1.2 Individual security investments without an asset management mandate

- CHF-denominated bonds covered by a direct or indirect guarantee of the Swiss Confederation or cantons
- Swiss debentures, medium-term notes and fixed deposits in CHF from banks supervised by FINMA

3.1.3 Collective capital investments

- Collective investments which are subject to supervision by FINMA
- Collective investments authorised for sale in Switzerland by FINMA
- Collective investments of Swiss investment foundations (AST)

3.1.4 Investments within the framework of an asset management mandate

Individual portfolios compiled according to requirements, are offered by the Foundation within the framework of an asset management mandate. The requirements for asset managers are described in Art. 48f BVV2 / OPP2.

3.2 Investment risk

Investments in securities can give rise to fluctuations in value and price losses. There is no claim either to a minimum rate of interest or a retention of capital value.

4 Permitted investments and limits

4.1 The pension assets can be invested as follows:

- a) Cash;
- b) Claims which are expressed as a fixed sum of money:
 1. Postal account and bank deposits,
 2. Money market investments with a duration of up to 12 months,
 3. Medium-term notes,
 4. Bonds, including those with convertible or option rights,
 5. Secured bonds,
 6. Swiss mortgage deeds,
 7. Acknowledgements of debt from corporations established under Swiss public law,
 8. Surrender values arising from collective insurance contracts,
 9. In the case of investments which are orientated towards a standard, broadly-diversified Bond Index in common use: the claims included in the Index;
- c) Shareholdings in companies whose sole business purpose is the purchase and sale as well as the letting and lease of their own land and properties (real estate companies);
- d) Equities, participation certificates, similar securities such as dividend rights certificates and cooperative share certificates; shareholdings in companies are permitted provided they are listed on a stock exchange or on some other regulated market open to the public
- e) Alternative investments entailing no obligation to furnish additional cover such as hedge funds, commodities, private equity, insurance-linked securities and infrastructures.

4.2 The following category restrictions are envisaged in connection with the implementation of the investment strategies:

- a) 50% for Swiss mortgage deeds on real estate;
- b) 50% for equity investments; maximum of 5% per company;
- c) 30% for real estate investments; maximum of 1/3 in foreign real estate and maximum of 5% per property;
- d) 15% for alternative investments; only collective investments entailing no obligation to furnish additional cover;

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- e) 30% for foreign currencies without currency hedging.
- 4.3 A 10% limit per debtor applies for claims under Art. 4.1 Para. b, incl. proprietary mortgages. This upper limit does not apply to capital-preserving products of good creditworthiness as well as all investment options mentioned in Art. 3.1.1 and 3.1.2.
- 4.4 Claims not listed in Art. 4.1 Para. b are deemed to be alternative investments and have to be implemented with collective investments.
- 4.5 Investments may only be made in assets which can be cleared within three months from the date of the sale order. An extension of this period requires prior approval in accordance with Art. 6.2.

5 Specifications for the permitted investments

- 5.1 The permitted investments under Art. 4.1 a–d can be effected within the framework of an asset management mandate via direct investments, collective investments or derivative financial instruments in accordance with Art. 56 and 56a BVV2.
- 5.2 Alternative investments may only be made via diversified collective investments (Fund of Hedge Funds), diversified certificates or diversified structured products. This rule does not apply to Art. 5.3–5.5.
- 5.3 Non-diversified collective investments are permitted under alternative investments providing these are implemented within the framework of an asset management mandate in accordance with Art. 3.1.4, the collective investments are supervised 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.
- 5.4 Physical and non-diversified collective investments in precious metals (e.g. ETF Gold) are limited to 5% per commodity investment.
- 5.5 Individual investments in subordinate and perpetual bonds are assigned to the alternative investments category of investments and are limited to 5% of the pension assets.

6 Expansion of the permitted investment options

- 6.1 If the security and risk diversification required by Art. 50 BVV2/OPP2 have been assured and the insured member has the necessary risk capacity and risk tolerance, he/she may be offered an expanded range of investment options.
- 6.2 An expansion of the range of investment options in accordance with Art. 6.1 must be approved by the Foundations' Management Board before it is implemented.
- 6.3 The Foundation envisages the following expansion options in respect of the category-related limits:
 - a) A maximum 50% of the available pension assets may be invested in foreign currencies without any currency hedging.
 - b) A maximum of 100% of the available pension assets may be invested in Swiss mortgage deeds on real estate.
 - c) A maximum of 100% of the available pension assets may be invested in equities or similar securities and shareholdings.
 - d) A maximum of 40% of the available pension assets may be invested in real estate. A maximum 1/3 of this percentage may be invested in foreign real estate.
 - e) A maximum of 40% of the available pension assets may be invested in alternative investments.

C) Organisation

7 Insured members' choice of strategy and transfer of securities

- 7.1 Each insured member submits an application for his/her investment strategy in accordance with Art. 11 Para. c using the foundation's strategy sheet.
- 7.2 The Foundation decides on the basis of the personal risk capacity and risk tolerance of each individual insured member whether the insured member's requested choice of strategy can be implemented to the desired extent.
- 7.3 If securities cannot be sold immediately on leaving the Foundation (lump-sum payment reason or insured event) the Foundation shall be entitled to transfer these securities, as a component of the departure benefits, to the private custody account of the insured member or his/her survivors at their current market value.

8 Changes in strategy and distributions

- 8.1 Switching to the account solution is permitted at any time and will be carried out as quickly as possible depending upon the investment category, no later however than 60 days after receipt of the corresponding order.
- 8.2 With the consent of the Foundation, a change in strategy is permitted at any time within the framework of the investment strategies offered pursuant to Art. 3 of these Investment Regulations. At the same time, the insured member's personal risk capacity and risk tolerance must be taken into account. The requested change of strategy will be carried out as quickly as possible depending upon the investment category, no later however than 60 days after receipt of the corresponding order.
- 8.3 Any change in strategy in accordance with Art. 8.1 and Art. 8.2 must be notified to the Foundation in writing.
- 8.4 The insured member must report any change of strategy involving an increase in the weighting of equities and/or alternative investments to the Foundation in writing using a newly signed strategy sheet.
- 8.5 In the event of any change of strategy which involves expanding the range of investment options pursuant to Art. 6.1, the insured member must sign a new strategy sheet and/or investment profile.
- 8.6 In the absence of any written instructions to the contrary from the insured member, the accredited bank or the Foundation will decide whether any distributions from collective investments (investment foundations or investment funds) or refunds of anticipatory and withholding taxes are to be re-invested.

9 Shareholders' right to vote

- 9.1 Shareholders' voting rights will be exercised on an active basis if the value of the investment is at risk of lasting impairment.
- 9.2 In the case of imminent routine transactions the shareholders' rights will be exercised in line with the wishes of the Board of Directors.
- 9.3 In special situations (in particular takeovers, mergers, important changes of personnel on the Board of Directors or Management Board etc.) which could have a lasting impact on insured members' interests, the Board of Trustees will decide how the voting rights are to be exercised and will issue the necessary instructions.
- 9.4 Insured members whose pension assets are managed via an asset management mandate have the option of exercising the shareholders' rights on an active basis on behalf of the Foundation and

within the scope of their shareholdings. This must be possible from the organisational aspect and requires an application to be submitted to the Foundation.

10 Basic accounting principles

The assets are recorded as follows:

liquid assets, fixed deposits, claims	
• in CHF	nominal value
• in foreign currency	nominal value
mortgage-backed loans	nominal value
bonds	
• in CHF	market value
• in foreign currency	market value
collective investments	market value
option loans	market value
equities and other shareholdings	market value
direct investments in property capitalised	earnings value

D) Duties and Competencies

11 Duties, rights and obligations

a) The Board of Trustees

- defines the basic principles governing investments.
- accredits the banking partners offered. The banking partners must be subject to FINMA supervision.
- periodically reviews the investment strategies available to the insured members.
- verifies compliance with the investment guidelines pursuant to BVV2/OPP2 and the Investment Regulations at half-yearly intervals (30.6. and 31.12.).
- is responsible for the conclusive disclosure in the annual report of any extensions of investments under Art. 50 Para. 4 BVV2.
- annually determines the interest to be paid for personal mortgages by the insured member. In this context, the Board of Trustees is guided by the standard market interest rates of the cantonal banks and major banks for variable mortgages.
- decides on the exercising of shareholders' voting rights.
- has the right to exert influence over the insured members' investment strategy in special cases.

b) The Management Board

- issues corresponding asset management mandates to the selected banking partners.
- approves the investment strategy selected by the insured member or makes a counter proposal.
- verifies compliance with the investment guidelines on a half-yearly basis.
- submits a six-monthly report on the compliance with the Investment Regulations to the Board of Trustees.
- conducts a periodic review of the investment strategies or as and when required in extraordinary circumstances.

c) The insured member

- selects a banking partner accredited by the Foundation.
- selects a personal investment strategy taking account of his or her risk capacity and risk tolerance. In this context compliance with the provisions of the Investment Regulations and the statutory investment guidelines is required.
- records his/her chosen investment strategy in writing on the strategy sheet and/or investment profile and signs said strategy sheet and/or investment profile.

d) The banking partner

- maintains an account for the insured member or the Foundation and, in the case of savings in securities, a custody account.
- provides the insured member or the Foundation with a comprehensive analysis at periodic intervals, at least annually. This includes the performance, costs and the details of the investments made.
- provides the Board of Trustees, at least on a half-yearly basis and on request, with a comprehensive analysis which includes performance, costs, details of investments as well as information on compliance with the Investment Regulations for each vested benefits custody account/account.

e) The asset manager

- informs the insured member of the opportunities and risks of the investment strategies
- signs the strategy sheet and/or investment profile together with the insured member
- only invests if it is in possession of the strategy sheet and/or investment profile signed and, consequently, approved by the Foundation
- is responsible for the implementation of the defined investment strategy
- is responsible for the compliance with the Investment Guidelines in accordance with BVV2 and/or Investment Regulations
- submits half-yearly reports to the Management of the Foundation on the compliance with the Investment Guidelines
- sends annual confirmation to the Management of the adherence to integrity and loyalty in asset management

12 Integrity and loyalty in asset management

Persons or institutions entrusted with the Foundation's asset management must fulfil the requirements of loyalty in asset management in accordance with Art. 51b BVG and Art. 48 f-I BVV2 and must comply with all other pertinent rules of conduct.

All pecuniary benefits must be delivered to the Foundation. In addition, unless governed otherwise in separate agreements with asset managers, compliance with the rules of conduct relating to integrity in asset management must be confirmed in writing annually to the Foundation

E) Final provisions

13 Final provisions and effective date

- 13.1 The Investment Regulations constitute an integral part of the Pension Fund Regulations.
- 13.2 These Regulations will also be translated into other languages. For all cases the German version is legally binding.
- 13.3 These Investment Regulations have been approved by the Board of Trustees and come into force on 1st January 2020.

Schwyz, 26. November 2019

Board of Trustees of the
Pens3a Pension Foundation