



AXA LPP Foundation  
Suisse Romande

# Investment Regulations

AXA LPP Foundation Suisse Romande, Winterthur

## 1. Principles

The present Investment Regulations specify the objectives, principles, guidelines, duties and authorities which apply when managing the assets of the AXA LPP Foundation Suisse Romande (referred to below as the "Foundation") in accordance with the statutory requirements (Art. 51a para. 2 letters m and n, BVG (Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans), Art. 49a paras. 1 and 2, BVV 2 (Federal Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans)).

The management of the assets focuses exclusively on the interests of the insured persons.

The Foundation selects, manages and monitors its investments with due care. It ensures that its objective of pension provision is certain to be achieved. In particular, this certainty is to be assessed in consideration of all assets and liabilities, as well as the structure and anticipated development of the portfolio of insured persons (Art. 50 paras. 1 and 2, BVV 2).

Responsibility rests with the most senior governing body, which invests the assets transparently and, in so doing, meets the criteria of appropriate risk distribution, guaranteed liquidity for the provision of insurance benefits and vested benefits, and the endeavor to achieve income in line with the money market, capital market and real estate market (Art. 51a para. 2 letters m and n, BVG, and Art. 50 para. 3, Art. 51 and Art. 52, BVV 2).

Investments are

- spread across various asset classes, markets, currencies and sectors;
- made in assets which generate a return in line with the market.

For the purposes of implementing its investment strategy, the Foundation makes use of the following resources:

- an investment organization and rules on powers of authorization which ensure an efficient decision-making process structured in accordance with the dual control principle;
- a level-appropriate information concept designed to ensure that the bodies responsible are in possession of meaningful information relevant to their management role;
- planning and monitoring tools, in particular a liquidity plan and regular analyses of the investment results and risk capacity, in order to determine the requirements to be met by the investment strategy and to verify goal attainment.

## 2. General investment guidelines

Compliance is required at all times with all statutory provisions, including in particular the investment rules as per BVG and BVV 2, and the directives and recommendations of the responsible authorities.

Within the scope of the statutory provisions, the Foundation adopts an investment strategy (strategic asset allocation, SAA) which is tailored to the risk capacity in accordance with investment policy, and which takes account of the long-term return and risk characteristics of the various asset classes.

The investment strategy is reviewed and adapted as required by the Foundation at least once every 3 years, or when necessitated by exceptional events. At the same time, it must be ensured that the investment of assets is compatible in the medium to long term with the Foundation's obligations (Art. 51a para. 2 letter n, BVG).

### 2.1. Investment strategy

The Foundation's investment strategy and the relevant bandwidths are set out in Appendix 1 and are a component of these Regulations.

### 2.2. Asset classes

The asset classes defined in Appendix 2 to these Regulations are based on BVG and BVV 2 (in particular, Art. 53, BVV 2) and on various recommendations by the Federal Social Insurance Office (FSIO).

The Board of Trustees ensures compliance with the restrictions on investments as per Art. 55, BVV 2. According to Art. 50 para. 4, BVV 2, the scope of possible investments can be broadened provided that compliance with paragraphs 1 to 3 of this legal provision is conclusively presented in the Notes to the annual report.

### 2.3. Fluctuation reserve

The Foundation covers the market risks by forming a fluctuation reserve on the liabilities side of the commercial balance sheet, in application of Art. 65b letter c, BVG and in accordance with the Swiss GAAP FER 26 accounting and reporting recommendations.

Appendix 3 to these Regulations states how this reserve is determined.

### 3. Duties and authorities

The management organization in the Foundation's asset management department comprises these three tiers:

- Board of Trustees
- Investment Committee
- Management Board

#### 3.1. Board of Trustees

The composition of the Board of Trustees is defined in the articles of incorporation.

The main duties and authorities of the Board of Trustees regarding investment comprise, in particular:

- appointing and mandating the Investment Committee;
- issuing these Regulations and subsequent amendments;
- defining the strategic allocation and the bandwidths, i.e. the admissible asset classes, long-term quotas and temporarily acceptable deviations;
- adopting the guidelines and restrictions for invested assets which must be respected, taking account of the strategic allocation;
- deciding on broadening of the scope of investments as per Art. 50 para. 4, BVV 2, and conclusive presentation of such broadening in the annual report;
- monitoring correct implementation of the long-term investment strategy and compliance with the Investment Guidelines.

Within the scope of the principles, objectives and guidelines, the Board of Trustees may delegate the implementation of the investment strategy to an Investment Committee, a Global Custodian, a Fund Manager and/or an Asset Manager. The Board of Trustees may engage the services of an Independent External Investment Advisor. The Board defines the requirements for these individuals and institutions (Art. 48f, BVV 2 and Art. 49a para. 2 letter d, BVV 2).

#### 3.2. Investment Committee

The Investment Committee consists of a number of members of the Board of Trustees, with equal employee and employer representation. The members are appointed by the Board of Trustees, which may elect additional internal or external experts (without voting rights) to the Investment Committee.

The main duties and authorities of the Investment Committee include, in particular:

- monitoring the implementation of the investment strategy defined by the Board of Trustees;
- preparing the basis for decisions on the definition of the long-term investment strategy;
- monitoring the Asset Managers, the investment activities and the performance of investments, and recommending any corrective measures required to the Board of Trustees.

The explicit consent of the Investment Committee is required for every new investment in a new Asset Manager that exceeds 2% of the Foundation's assets.

The Investment Committee convenes at least four times per year and may be convened by one member at any time if necessary. It keeps records of resolutions adopted at each meeting, with a copy sent to the Board of Trustees.

#### 3.3. Management Board

The main duties and authorities of the Management Board regarding investment comprise, in particular:

- monitoring the compliance of investment activities undertaken with the provisions of the Regulations and the law, and informing the Board of Trustees in this regard;
- allocating the available resources to the Asset Managers within the requirements specified by the Board of Trustees;
- drawing up the budget, liquidity planning and liquidity monitoring;
- requiring all parties and institutions entrusted with asset management to submit an annual written declaration regarding personal pecuniary advantages (Art. 48I para. 2, BVV 2);
- drafting a report for the Board of Trustees;
- administrative implementation of the requirements stipulated by law and by the Regulations concerning the exercise of the Foundation's shareholder rights as per no. 6, and regular reporting on this matter to the Investment Committee.

The Management Board prepares the meetings of the Investment Committee and takes part in them.

#### 3.4. Independent External Investment Advisor

The main duties and authorities of the Independent External Investment Advisor are stipulated in a

written mandate agreement, and they comprise the following in particular:

- supporting the responsible bodies/individuals with implementing the investment strategy;
- preparing the basis for decisions on the development of a risk-compliant investment strategy;
- supporting the responsible bodies/individuals with organizing and monitoring the Asset Managers' investment activities;
- responsibility for prompt and correct controlling of the Asset Managers' investment activities;
- annual calculation of the necessary fluctuation reserve and comparison thereof with the available reserves;
- issuing opinions on the decisions taken by the Investment Committee and the Board of Trustees.

### 3.5. Asset Managers

Only persons and institutions that satisfy the requirements of Art. 48f para. 2, BVV 2 (incl. Art. 48h-I, BVV 2) as well as Art. 48f para. 4 BVV 2 are entrusted with asset management.

The main duties and authorities of the Asset Managers include, in particular:

- responsibility for managing the assets within the scope of clearly defined management mandates and on the basis of the guidelines and requirements agreed with the Foundation;
- regular reporting to the Board of Trustees and the Investment Committee on the performance of the investments. For this purpose, they draw up a report on their activities during the reporting period and, as required, report verbally to the Board of Trustees and the Investment Committee.

Asset managers are chosen on the basis of a documented and transparent process. Market compliance of the asset management mandates is reviewed regularly by the Board of Trustees. Banks and asset managers that meet the requirements as per Art. 48f para. 2 and para. 4 BVV 2 may be considered for appointment as External Asset Managers.

### 3.6. Global Custodian

The Global Custodian (central depository) is responsible for the proper execution of basic global custody services.

The duties of the Global Custodian are regulated in a written mandate agreement.

## 4. Monitoring and reporting

The information reported must be commensurate with the recipients' specific levels of authority, in order to ensure that they can meet the management responsibilities assigned to them.

Investments and their management are to be monitored on an ongoing basis. Regular level-appropriate reporting is required regarding the various issues monitored so that the responsible governing bodies have meaningful information at their disposal (see Appendix 4).

## 5. Loyalty in connection with asset management, conflicts of interest and pecuniary advantages

The members of the Board of Trustees and the Investment Committee, as well as all parties involved in managing the Foundation's assets, act in compliance with Arts. 48f ff., BVV 2. In particular, they are obliged to comply with the statutory provisions relating to integrity and loyalty, the prevention of conflicts of interest, transactions with related parties, and own-account trading.

## 6. Exercise of shareholder rights

The voting and electoral rights linked to equities in Swiss stock corporations which are held directly by the Foundation and are listed in Switzerland or abroad shall be exercised systematically in the interests of the insured persons, especially in respect of the following agenda items:

- election of members and chair of the board of directors, members of the compensation committee and the independent proxy;
- compensation for the board of directors, executive board and advisory council;
- amendment of provisions of the articles of incorporation.

The Foundation bases its assessment of motions on the long-term interests of the shareholders. In this regard, the lasting prosperity of the Foundation plays a key part. The interests of the insured persons are regarded as guaranteed if voting is primarily in the long-term financial interests of the company's shareholders, i.e. if the objective is to maximize the value of the company concerned.

The Board of Trustees is responsible for exercising shareholders' rights. It may transfer this authority to a committee or another body within or outside

the Foundation, provided that its duties of supervision and rights of responsibility are unaffected.

The Foundation draws up a report on its voting and electoral behavior once per year.

## **7. Final provisions**

These regulations enter into force retroactively as of January 1, 2022, and replace the version of January 1, 2019.

The Board of Trustees

Lausanne, March 25, 2022

## Appendix 1 Investment strategy

### Strategic asset allocation (SAA) and tactical bandwidths

Valid as from January 1, 2023

	Strategic allocation	Tactical bandwidth		Limits as per BVV 2
		min.	max.	
<b>Liquidity</b>	1.0	0.0	10.0	
<b>Mortgages</b>	6.0	3.0	9.0	
<b>Bonds</b>	23.0	12.0	32.0	
Bonds CHF	9.0	3.0	15.0	
Investment grade bonds	8.0	4.0	15.0	
Emerging market bonds	3.0	0.0	5.0	100%
High yield	3.0	0.0	5.0	
Convertible bonds	0.0	0.0	3.0	
<b>Equities</b>	33.0	25.0	40.0	
Swiss equities	16.0	10.0	22.0	
Foreign equities	14.0	8.0	20.0	50%
Emerging market equities	3.0	0.0	5.0	
<b>Real estate</b>	24.0	15.0	30.0	
Swiss real estate	20.0	15.0	27.5	30%
Foreign real estate	4.0	0.0	8.0	
<b>Infrastructure</b>	5.0	0.0	8.0	10%
<b>Alternative investments</b>	8.0	0.0	15.0	
Senior loans	3.0	0.0	5.0	
Private borrowers	2.0	0.0	5.0	
Gold	3.0	0.0	5.0	15%
Hedge fund	0.0	0.0	5.0	
Private equity	0.0	0.0	5.0	
Total	100.0			
Total investments in foreign currencies without coverage of the exchange rate risk	18.5	10.0	25.0	30%

**Benchmark index:**

Valid as of July 11, 2022

	<b>Benchmark index</b>
Liquidity	FTSE CHF 3m Euro Dep.
Mortgages	SBI AAA-BBB Lag 1M
Bonds CHF	SBI AAA-BBB
Investment grade bonds	Total 8% broken down as follows: 7,3% Bloomberg Barclays Global-Aggregate (TR) Value Hedged CHF 0,7% Bloomberg Barclays Global-Aggregate (TR) Value Unhedged USD
Emerging market bonds	Total 3% broken down as follows: 2,7% JPM Emerging Markets Blended HC (50% EMBIGD 50% CEMBIBD) hedged in CHF (50% JPM Emerging Markets Bond Global Diversified Index 50% JPM Corporate Emerging Market Bond Broad Diversified Index) 0,3% JPM Emerging Markets Blended HC (50% EMBIGD 50% CEMBIBD) unhedged in USD
High yield	Total 3% broken down as follows: 2,7% Bloomberg Barclays Global High Yield (TR) Value Hedged CHF 0,3% Bloomberg Barclays Global High Yield (TR) Value Unhedged USD
Swiss equities	15% * SPI Extra + 85% * Swiss Performance Index Total 16% broken down as follows: 13.6% Swiss Performance Index 2.4% SPI Extra
Foreign equities	Total 14% broken down as follows: 1,2% MSCI World ex Switzerland IMI 100% Index 12,8% MSCI World ex Switzerland IMI 100% hedged to CHF Index
Emerging market equities	MSCI Emerging Markets (NETR)
Swiss real estate	KGAST Immo-Index (Schweiz) (TR) Lag 1M
Foreign real estate	KGAST Immo-Index (Schweiz) (TR) Lag 1M
Infrastructure	MSCI World Infrastructure (Lag 4M)
Senior loans	S&P Global Leveraged Loan Index Lag 1M
Private borrowers	S&P Global Leveraged Loan Index Lag 2M
Gold	LBMA Gold Price PM USD

## **Appendix 2 Investment Guidelines**

In very general terms, the portfolio is invested in liquid securities or securities with a liquidity corresponding to the types of investment made (reduced liquidity in certain real estate investments or alternative investments), so that a return in line with the market can be achieved.

Good diversification must be ensured (Art. 50 paras. 1–3, BVV 2, Art. 51, BVV 2 and Art. 52, BVV 2).

Compliance is required with the restrictions as per Art. 54, BVV 2 (restriction regarding individual debtors), Art. 54a, BVV 2 (restriction regarding investments in individual companies) and Art. 54b, BVV 2 (restriction regarding investments in individual real properties and pledging thereof as collateral).

### **Liquidity and money market**

Current bank assets, time deposits and other money market investments in CHF and foreign currencies must be diversified among debtors with good creditworthiness.

### **Bonds**

In very general terms, debtors with good creditworthiness (minimum rating: investment grade) and high levels of recognition must be selected for investments in bonds and receivables in CHF, and for bonds in foreign currencies. In the case of collective investments, the funds chosen should pursue the same quality and liquidity policies.

Investments in bonds of a quality below "investment grade" must not account for more than 10% of the total assets.

### **Bonds and receivables in CHF**

The assets may be invested in receivables denominated for a fixed amount: in particular, in bonds including convertible bonds or bonds with an option right.

Form of investment: individual investments and collective investment schemes as per Art. 56, BVV 2 are admissible.

### **Foreign currency bonds**

The assets may be invested in receivables denominated for a fixed amount: in particular, in bonds including convertible bonds or bonds with an option right.

Form of investment: individual investments and collective investment schemes as per Art. 56, BVV 2 are admissible.

### **Equities of Swiss companies**

The assets may be invested in equities, participation certificates, profit participation certificates and other similar securities, and also in equity securities and cooperative share certificates.

Form of investment: individual investments and collective investment schemes as per Art. 56, BVV 2 are admissible.



## **Equities of foreign companies**

The assets may be invested in equities or equivalent securities of foreign companies.

Form of investment: individual investments and collective investment schemes as per Art. 56, BVV 2 are admissible.

## **Real estate**

The Foundation makes direct or indirect real estate investments.

Direct investments in real estate are only admissible in Switzerland. They must be diversified appropriately according to criteria such as geographical location, purpose and age of the buildings. The Foundation's participation per building must not exceed 5% of the portfolio's value.

## **Infrastructure**

The Foundation's assets may be invested in infrastructure instruments.

Investments may take place using individual and collective vehicles in accordance with Art. 56 BVV 2.

## **Alternative investments**

- In addition, the following alternative investments are admissible: senior loans, private borrowers, gold, investments in private equity, hedge funds, insurance-linked securities and commodities.
- They must not exceed the upper limit of the bandwidth defined in Appendix 1.
- The Foundation can only invest in collective investment schemes. In case of listed investments, units of collective investment schemes as per Art. 56, BVV 2 are admissible as investments.
- Secondary investments are also admissible.
- A reduction in the portfolio's liquidity is acceptable due to the special features of this asset class.
- In connection with unlisted investments, however, it is necessary to ensure good diversification according to types of investment, regions, vintage years and issuers.
- Investments entailing an obligation to make further investments are prohibited as per Art. 53 para. 1 letter e, BVV 2.

## **Currencies**

Foreign currencies may be managed actively for the purpose of protecting the return on the portfolio (currency overlay, hedging, etc.).

The currency hedge must not exceed a maximum of 100% of the investments in foreign currencies.

## **Securities lending**

There is no securities lending for directly held securities and specific mandates which the Foundation issues. For collective investments, and insofar as possible, the Foundation seeks out solutions that avoid convertible bonds.

Securities lending transactions are admissible in connection with collective investments held by the Foundation, insofar as:

- these collective investment schemes are subject to Swiss law or to equivalent legislation which is at all times compliant with the FINMA Collective Investment Schemes Ordinance, regardless of the location of the registered office and custody;
- the volume of securities lending does not account for more than 5% of the portfolio.

### **Appendix 3 Fluctuation reserve**

The target amount of the fluctuation reserve is determined by the Board of Trustees. The reserve is determined according to actuarial criteria and the financial economic method, i.e. based on the return and risk characteristics of the asset classes defined for the strategy. The Board of Trustees regularly arranges for an asset-liability analysis to be compiled.

The amount of the reserve set aside is shown on the liabilities side of the balance sheet, and the target amount is stated in the Notes to the annual financial statements.

The following elements are taken into account when calculating the target amount for the reserve:

- the applicable investment strategy;
- anticipated returns and risks;
- a time horizon of one year;
- a security level of 97.5%;
- the total value of pension liabilities on December 31.

The target volume for the fluctuation reserve was most recently calculated on December 31, 2021. On the basis of the elements listed above, the fluctuation reserve amounts to 13.3% of the pension liabilities.

## Appendix 4 Reporting

Reporting is based on the following concept:

When?	Who?	For whom?	What?
Month	<ul style="list-style-type: none"> <li>- Global Custodian</li> <li>- Investment Company</li> <li>- Asset Manager</li> </ul>	<ul style="list-style-type: none"> <li>- Investment Committee</li> <li>- Independent External Investment Advisor</li> </ul>	<ul style="list-style-type: none"> <li>- Statement of assets</li> <li>- Investment report, in particular:               <ul style="list-style-type: none"> <li>- performance (at all levels)</li> <li>- asset structure</li> <li>- structural analyses</li> </ul> </li> <li>- Compliance report</li> </ul>
Month	Independent External Investment Advisor	Investment Committee	Investment controlling report, in particular: <ul style="list-style-type: none"> <li>- assessment of performance and risk</li> <li>- assessment of investment activities</li> <li>- recommendations for action</li> </ul>
Quarter	Independent External Investment Advisor	Investment Committee	Report on investment activities, in particular: <ul style="list-style-type: none"> <li>- compliance with the class limits as per Art. 55 and Art. 57 para. 2, BVV 2</li> <li>- compliance with the strategic bandwidths</li> <li>- compliance with internal Investment Guidelines</li> <li>- assessment of performance and risk</li> <li>- assessment of investment activities</li> <li>- recommendations for action</li> </ul>
Quarter	Independent External Investment Advisor and Asset Manager	Board of Trustees	Overview including, in particular: <ul style="list-style-type: none"> <li>- status of investments</li> <li>- special occurrences</li> </ul>
Year	Asset Manager	Board of Trustees	Detailed reporting on compliance with Art. 48f-I, BVV 2, specifically on the handling of own-account trading (Art. 48j, BVV 2) and conflicts of interest (Art. 48h, BVV 2) and on the surrender of pecuniary advantages and disclosure as per Art. 48k and I, BVV 2
Year	Investment Committee	Board of Trustees	Information regarding: <ul style="list-style-type: none"> <li>- investment activities and investment performance in the preceding year</li> <li>- voting and electoral behavior in the general meetings</li> </ul>
Year	Management Board, on behalf of the Board of Trustees	Recipients of benefits	Information regarding: <ul style="list-style-type: none"> <li>- investment activities and investment performance in the preceding year</li> <li>- voting and electoral behavior in the general meetings</li> </ul>