AXA Foundation
for Supplementary Benefits

Investment Regulations

AXA Foundation for Supplementary Benefits, Winterthur

L1071.004-01.24

1. Principles

The present Investment Regulations specify the objectives, principles, guidelines, duties and authorities which apply when managing the assets of 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), and Art. 49a paras. 1 and 2, BVV 2 (Federal Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans)).

Asset management is focused solely on the interests of the beneficiaries.

The Foundation selects, manages and monitors its investments with due care. It ensures that its objective of pension provision is certain to be achieved. This certainty is to be assessed, in particular, 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 in accordance with the criteria of appropriate risk distribution, guaranteed liquidity for the provision of insurance benefits and vested benefits, as well as the objective of achieving a suitable return, based on the present Regulations (Art. 51a para. 2 letters m and n, BVG, and Art. 50 para. 3, Art. 51 and Art. 52, BVV 2).

All parties entrusted with general management and asset management are obliged to comply with Art. 48f (incl. Art. 48h-l), BVV 2 (integrity and loyalty of the responsible parties) as well as with any additional regulations relevant to the Foundation.

The aim of asset management is to ensure that the Foundation’s financial equilibrium can be enhanced on a sustainable basis. In the event of underfunding, the Board of Trustees as the most senior governing body, together with the pension actuary and the Independent External Investment Expert, shall evaluate measures pursuant to Art. 65d, BVG for the purpose of restoring financial equilibrium.

The assets are to be managed in such a way that
- the promised benefits can be paid out on schedule at all times,
- the risk capacity as set out in the investment policy is complied with, thus ensuring nominal security of the promised benefits,
- the total return (current income plus any value adjustments) is maximized within the scope of the risk capacity so that the greatest possible contribution towards preserving the real value of the promised pension benefits can be achieved over the long term.

The Foundation's risk capacity is dependent in particular on its financial situation, as well as on the structure and stability of the portfolio of beneficiaries.

When making investments, the Board of Trustees attaches importance to sustainability and responsible conduct and takes into account environmental, social and governance (ESG) criteria.

Investments are
- spread across various asset classes, markets, currencies, industries and sectors,
- made in assets which generate a total 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 management 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.

All function names refer to both genders.

2. General investment guidelines

All statutory provisions, in particular the investment rules as per BVG and BVV 2 as well as the directives and recommendations of the responsible authorities, must be respected at all times.

In accordance with the legal provisions, the Foundation adopts an investment strategy (strategic asset allocation) which is tailored to the risk capacity as set out in the investment policy and which factors in the long-term risk/return characteristics of the various asset classes.

Periodically, or when exceptional events so require, the investment strategy is reviewed by the Foundation and, if necessary, modified. 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). The applicable strategic asset structure is shown in Appendix 1. The relevant guidelines and restrictions always refer to market values (cf. Appendix 2) or to a special collateral management system for derivatives (cf. Appendix 4).

Direct investments in equities are not permitted.

Any broadening of the scope of possible investments as per Art. 50 para. 4, BVV 2 is stipulated in Appendix 1. If the option of broadening the scope of possible investments is utilized, compliance with Art. 50 paras. 1 to 3, BVV 2, must be presented conclusively in the Notes to the annual financial statements.

3. Duties and authorities

The Foundation's investment organization comprises the following 6 tiers:
– Board of Trustees
– General Manager
– Independent Investment Controller
– Asset Manager
– Global Custodian
– Fund Manager

Reporting is compliant with no. 4 of these Investment Regulations.

3.1. Board of Trustees

3.1.1. Composition

The composition of the Board of Trustees is defined in the deed of foundation.

3.1.2. Main duties and authorities in the area of investment

3.1.2.1. Investment strategy

The Board of Trustees:
– approves the long-term investment strategy (Arts. 50 - 52, BVV 2) and the Investment Guidelines, and decides on any broadening thereof as per Art. 50 para. 4, BVV 2.
– is responsible for the conclusive presentation of any broadening of the scope of investments as per Art. 50 para. 4, BVV 2 in the annual report.
– at regular intervals, or as required by exceptional events, reviews the long-term investment strategy, taking account of Art. 50 para. 2, BVV 2.
– monitors the correct implementation of the long-term investment strategy and compliance with the Investment Guidelines.

3.1.2.2. Implementation

The Board of Trustees:
– may, within the scope of the principles, objectives and guidelines, delegate the authority to implement the investment strategy to a Global Custodian (central depositary), a Fund Manager and/or to an Asset Manager, and shall define the requirements for these individuals and institutions (Art. 48f, BVV 2 and Art. 49a para. 2 letter d, BVV 2).
– decides on the admissibility of securities lending and repurchase agreements.
– decides on the Asset Manager (cf. the section on "The Asset Manager") with whom the Foundation is to collaborate, and regulates said Asset Manager's activities by means of a clearly defined management mandate and specific Investment Guidelines.
– ensures that transparent arrangements are agreed with the Asset Manager regarding third-party benefits (e.g. retrocessions, discounts, price reductions, non-monetary benefits, etc.).
– monitors compliance with the requirements regarding conflicts of interest (Art. 48h, BVV 2) and the handling and surrender of pecuniary advantages (Art. 48k, BVV 2).
– monitors implementation of the disclosure obligation (Art. 48l, BVV 2).
– may issue additional guidelines on the management of individual asset classes or investment instruments.
– regularly verifies that asset management is compliant with the market.

3.1.2.3. General

The Board of Trustees
– bears overall responsibility, as per Art. 51a, BVG, for the management of the assets and performs the duties which can neither be transferred nor withdrawn, as per Art. 51a para. 2, BVG.
– stipulates the principles and objectives of the management of assets within the scope of the regulations stated in Art. 51a para. 2 letter m, BVG and Arts. 50, 51 and 52, BVV 2.

– decides on the scope of the fluctuation reserves in accordance with the investment strategy.

3.2. General Manager

The main duties and authorities of the General Manager with regard to investments include the following in particular:

3.2.1. Investment strategy

The General Manager:
– monitors the compliance of investment activities undertaken with the provisions of the Regulations and the law, and informs the Board of Trustees accordingly.

3.2.2. Implementation

The General Manager:
– is responsible for allocating the available resources to the Asset Manager within the requirements specified by the Board of Trustees.
– obtains liquid resources from the Asset Manager.
– is responsible for drawing up the budget and for planning and control of liquidity, and optimizes the operative liquidity.
– requires all parties and institutions entrusted with asset management to submit an annual written declaration regarding personal pecuniary advantages (Art. 48l para. 2, BVV 2) and reports to the Board of Trustees in this regard.
– is responsible for the 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.

3.2.3. General

The General Manager:
– is an advisory member of the Board of Trustees.
– prepares the meetings of the Board of Trustees.
– is the point of contact for the Global Custodian, the Fund Manager and the Asset Manager.

3.3. Independent External Investment Controller

The main duties and authorities of the Independent External Investment Controller are stipulated in a written mandate agreement, and they comprise the following in particular:

3.3.1. Implementation of the investment strategy and investment activities

The Independent External Investment Controller:
– assists the responsible bodies/individuals with organizing and monitoring the Asset Manager's investment activities.
– is responsible for prompt and correct controlling of the Asset Manager's investment activities.
– reviews the appropriateness of the mandate provisions and Investment Guidelines at least once every 2 years.

3.4. Asset Manager

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

3.4.1. Main duties and authorities

The Asset Manager:
– is responsible for managing the assets within the scope of a clearly defined management mandate.
– performs investment activities on the basis of agreed guidelines and requirements.
– reports regularly to the Board of Trustees on the performance of the assets. For this purpose, he draws up a report on his activities during the reporting period and, as required, reports verbally to the Board of Trustees.

3.4.2 Principles for selection, award of mandates and monitoring

3.4.2.1 Principles for selection

The Asset Manager is chosen on the basis of a documented and transparent process. Market compliance of the asset management mandate 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.

3.4.2.2. Principles for monitoring

The Asset Manager is monitored on an ongoing basis as part of the investment controlling process. The necessary information is provided by the Custodian Bank, the Asset Manager, the Global Custodian and the Fund Manager.

3.5. Global Custodian

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

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

3.6. Fund Manager

The client-specific duties of the Fund Manager are regulated in a written service contract.

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.

In addition, at least once per quarter, the Asset Manager briefs the Board of Trustees on the return achieved, the risks taken on for this purpose, and compliance with the Investment Regulations at asset class and total assets levels.

The Board of Trustees prepares an annual ESG Report in accordance with the currently valid guidelines of the Swiss Pension Fund Association ASIP.

The Asset Manager is to inform the Board of Trustees and the General Manager immediately in the case of particular occurrences (e.g. specific market developments, special operational events). 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.

5. Governance

5.1. General

The Foundation takes appropriate organizational measures to implement the following Governance Rules (Art. 49a para. 2 letter c, BVV 2) and ensures that an adequate Internal Control System in is place (see Art. 52c para. 1 letter c, BVG).

5.2. Integrity and loyalty

All parties involved in asset management for the Foundation must enjoy a good reputation and provide assurance of proper business conduct (Art. 51b para. 1, BVG). They are under a strict obligation to maintain confidentiality.

Furthermore, they are subject to fiduciary due diligence obligations and must act in such a way as to safeguard the interests of the Foundation's insured persons. Accordingly, the investment of assets must solely serve the interests of the Foundation. For this reason, they must ensure that no conflicts of interest arise due to their personal or business circumstances (Art. 51b para. 2, BVG).

5.3. Requirements to be met by the Asset Manager

If the Foundation's Asset Manager tasks a third party with asset management, the requirements of the present no. 5.3. also apply to such a third party.

The parties entrusted with asset management are obliged to comply with the provisions of Art. 51b para. 2, BVG and Arts. 48f-l, BVV 2 ("Integrity and loyalty") and with the Code of Conduct of the Swiss Funds & Asset Management Association (SFAMA Code of Conduct) or equivalent rules.

Swiss External Asset Managers (Art. 48f para. 4 letters a to g, BVV 2) may only be registered occupational benefits institutions as per Art. 48, BVG, investment foundations as per Art. 53g, BVG, public-law insurance institutions as per Art. 67 para. 1, BVG, banks as per the Banking Act, securities brokers as per the Stock Exchange Act, fund managers and asset managers of collective investment schemes as per the Collective Investment Schemes Act, or insurance companies as per the Insurance Supervision Act.

Foreign External Asset Managers must be subject to a foreign supervisory authority (Art. 48f para. 4 letter h, BVV 2). This does not apply in the case of financial products in which direct investments are made (without an asset management mandate). Investments in such products are only permitted if there is no regulated alternative. Regardless of their country of domicile and supervisory authority, these Asset Managers must enter into a contractual obligation to comply with the integrity and loyalty provisions as per Art. 48f-l, BVV 2.

5.4. Avoidance of conflicts of interest on concluding legal transactions

Legal transactions concluded by the Foundation must conform to conditions in line with the market (Art. 51c para. 1, BVG).

External parties entrusted with asset management or beneficial owners of companies charged with this task may not be represented in the most senior governing body of the institution (Art. 48h para. 1, BVV 2).

In the case of significant transactions with related parties, competing offers must be obtained. The award process must be fully transparent (Art. 48i para. 1, BVV 2). All activities associated with asset and real estate management are deemed to be significant transactions. Related parties include, in particular, spouses, registered partners, life partners, relatives up to the second degree of kinship, as well as legal entities in which a beneficial ownership exists (Art. 48i para. 2, BVV 2).

Parties and institutions entrusted with asset management must act in the interests of the Foundation. In particular, they may not:
- exploit knowledge of orders placed by the institution in order to carry out advance, parallel or immediately subsequent own-account trading (i.e. front running, parallel running, after running) (Art. 48j letter a, BVV 2).
- trade in a security or an investment for as long as the institution trades with this security or investment and insofar as the institution could be disadvantaged as a result; participation in different forms of such transactions is deemed to be the same as trading (Art. 48j letter b, BVV 2).
- restructure the institution's custody accounts without an economic reason that is in the institution's interest (Art. 48j letter c, BVV 2).

5.5. Compensation and surrender of pecuniary advantages

The compensation of parties and institutions entrusted with the management of the Foundation’s assets must be clearly identifiable and conclusively regulated in a written agreement (Art. 48k para. 1, BVV 2).

Pecuniary advantages which they have received above and beyond such compensation in connection with the performance of their activities for the Foundation must, as a mandatory requirement, be surrendered to the Foundation in full (Art. 48k para. 1, BVV 2 and Art. 321b para. 1 and Art. 400 para. 1, Swiss Code of Obligations, SCO), i.e. it is explicitly prohibited for all parties and institutions involved in asset management to accept retrocessions, kickbacks, discounts, benefits and the like in any form whatsoever.

External parties and institutions charged with the brokerage of legal transactions must provide information about the nature and origin of all compensation they receive for their brokerage activities on first contact with the customer. The manner in which such compensation is paid must be regulated in a written agreement that is to be disclosed to the Foundation. The payment and acceptance of supplementary volume- or growth-based compensation are prohibited (Art. 48k para. 2, BVV 2).

Parties and institutions entrusted with the management of the Foundation’s assets must submit to the Board of Trustees, as the most senior governing body, an annual written declaration stating whether and which pecuniary advantages they received (where not contractually fixed as compensation pursuant to the present clause) and/or stating that they surrendered all pecuniary advantages pursuant to Art. 48k, BVV 2 to the Foundation (48l para. 2, BVV 2).

5.6. Disclosure obligations

Parties and institutions charged with a general management or asset management function must disclose their interests annually to the Board of Trustees. These include, in particular, beneficial ownership of companies that have a business relationship with the institution. The Board of Trustees makes this disclosure to the statutory auditors (Art. 48l para. 1, BVV 2).

Legal transactions entered into by the Foundation with members of the Board of Trustees, with affiliated employers, or with natural persons or legal entities entrusted with a general management or asset management function, as well as legal transactions entered into by the Foundation with natural persons or legal entities that are related to the above-mentioned persons and entities, must be disclosed to the statutory auditors at the time of the annual audit of the annual financial statements (Art. 51c para. 2, BVG).

The names and functions of any experts, Investment Advisors and Asset Managers who are engaged must be stated in the Foundation's annual report.

6. Exercise of shareholder rights

(Art. 95 para. 3 letter a, BV (Federal Constitution), Art. 49a para. 2 letter b, BVV 2; Ordinance against Excessive Compensation in Stock Exchange Listed Companies (VegüV))

The Foundation implements the investment strategy with collective investments. This Foundation is not permitted to invest in equities directly (no. 2). For this reason, it does not have any shareholders' voting rights.

7. Final provisions

These Regulations entered into effect on January 1, 2024, and replace the Regulations dated October 1, 2021.

These Regulations are revised by the Board of Trustees annually or as required.

Appendix 1 Strategic asset structure

1. Investment philosophy

The Foundation's assets are mostly invested in liquid and transparent instruments. For the purposes of diversification and in order to generate additional return, use should also be made of illiquid investments (such as real estate) and alternative investments (such as private equity).

Investments are implemented with the best possible asset managers.

2. Long-term strategy

The long-term strategy for liquid investments must be implemented as quickly as possible, taking account of the transaction costs and the market situation. The transitional phase from the transfer portfolio to the target investment strategy as per the table below (Long-term strategy) is defined by the Board of Trustees. The strategy for illiquid investments must be implemented within an appropriate period, taking account of the underlying liquidity of the assets.

Asset class	**SAA**	**Bandwidths**		**Benchmark**
	Board of Trustees	lower	upper	
Liquidity	1%	0%	10%	FTSE CHF 3m Eurodeposit
Nominal values	**23%**	**13%**	**37.5%**	
Mortgages	6%	3%	9%	SBI Domestic Swiss mortgage bonds (Pfandbrief)
CHF Bonds	9%	5%	13%	SBI Total AAA-BBB
Bonds FW IG (hedged)	6%	4%	8%	Bloomberg Barclays Capital Global Aggregate (hedged)
Bonds FW IG Corporates (hedged)	2%	1%	3%	Bloomberg Barclays Capital Global Aggregate Credit (hedged)
Bonds High Yield (hedged)	0%	0%	2%	Bloomberg Barclays Capital Global High Yield Index (hedged)
Bonds EM (hedged)	0%	0%	2,5%	Bloomberg Barclays EM USD Aggregate (hedged)
Equities	**39%**	**28%**	**50%**	
Swiss equities	17%	12%	22%	Swiss Performance Index
Foreign equities	16.5%	12%	21%	MSCI World TR Gross
Global Small Caps equities (hedged)	1.5%	1%	2%	MSCI World Small Cap TR Gross (hedged)
Emerging Markets equities	4%	3%	5%	MSCI Emerging Markets Index
Real estate	**29%**	**15%**	**41%**	
Swiss real estate	25%	15%	35%	KGAST Immo-Index
Foreign real estate (hedged)	4%	0%	6%	KGAST Immo-Index
Alternative investments	**7%**	**0%**	**10.5%**	
Private Equity (hedged)	4%	0%	6%	MSCI World TR Gross (hedged)
Alternative credit (hedged)	**3%**	**0%**	**4.5%**	SARON Overnight +2% p.a.
Infrastructure (hedged)	**1%**	**0%**	**5%**	SARON Overnight +3% p.a.
Total	**100%**			

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

3. Bandwidths for the investment strategy

- A bandwidth is defined for each asset class according to its quota of the strategy.
- The upper and lower bandwidths define the maximum permitted deviations from the strategic target structure. These bandwidths represent intervention points. As a mandatory requirement, the portfolio weightings must move within the lower and upper bandwidths.
- Compliance with the bandwidths is verified at least once per quarter. If the asset structure deviates from the bandwidths, adjustments are carried out in accordance with the rules pursuant to no. 4.

4. Rebalancing and tactical asset allocation

- Active tactical asset allocation by the Asset Manager is permitted within the bandwidths.
- If a breach of these bandwidths is ascertained, appropriate reallocations are required so that the asset structure is brought back within the bandwidths.
- If possible, the corrections must be made within one month.
- In such cases, appropriate consideration must be given to the special liquidity characteristics of possible individual asset classes such as real estate and alternative investments.

5. Broadening of the possible investment scope as per Art. 50 para. 4, BVV 2 (cf. no. 2, Investment Regulations)

Due to the availability of an attractive direct property portfolio, brought into the designated real estate investment foundation from the AXA balance sheet, the restriction on the 'Swiss real estate' asset class is increased to 35% as per Art. 55 letter c, BVV 2 and the upper limit in the overall 'Real estate' class is increased to 41%.

Appendix 2 Valuation principles

As far as possible, all assets are valued at market values as at the balance sheet date. The applicable prices are those determined by the custodians or the Fund Manager. In all other respects, the provisions of Art. 48, BVV 2 and/or Swiss GAAP FER 26 (no. 3) apply.

Appendix 3 Fluctuation reserves

(Art. 48e, BVV 2)

To offset value fluctuations on the assets side and to guarantee the necessary interest on liabilities, fluctuation reserves are formed on the liabilities side of the commercial balance sheet.

The necessary target value of the fluctuation reserves is determined in accordance with the financial economic method. A two-stage procedure is applied. By combining historic risk characteristics (volatility, correlation) with expected returns (risk-free interest rate + risk premiums) for the asset classes, and on the basis of the Foundation-specific investment strategy, the necessary fluctuation reserve is determined so as to enable, with adequate certainty, a required minimum interest rate on the tied pension capital. The Board of Trustees has set the applicable target figure for the fluctuation reserve at 13% of the autonomously invested pension capital for active insured persons and pensioners, the technical provisions (without provision for supplementary interest), the employer contribution reserves as well as the unallocated assets of the pension funds.

When establishing the basis for calculating fluctuation reserves, the principle of constancy must be taken into account as well as the current situation on capital markets.

The appropriateness of the target value is reviewed by the Board of Trustees periodically, or when exceptional events so require and, if necessary, is adjusted and formally recorded. The target value determined is stated in the Notes to the annual financial statements. The objective is a security level of 97.5% over one year.

Changes in the basis of calculation are to be explained in the Notes to the annual financial statements, taking into account the provisions of Swiss GAAP FER 26.

Appendix 4 Investment Guidelines

1. Principles

As a general rule, the assets are invested in liquid and readily tradable securities which achieve investment returns in line with the market. An appropriate degree of diversification must be ensured (Art. 50 paras. 1-3, BVV 2, Art. 51, BVV 2 and Art. 52, BVV 2).

The investments must not result in any obligation for the Foundation to provide additional capital (Art. 50 para. 4, BVV 2).

The investments must not include any leverage, with the exception of the cases stated in Art. 53 para. 5, BVV 2.

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

Investments take the form of individual investments and/or collective investment schemes. The form of investment may be restricted within asset classes.

The portfolio may be managed actively and/or passively.

The following requirements and guidelines may be stated in more detail (i.e. narrowed down) within the scope of the asset management mandates, but they cannot be broadened.

2. Benchmark index

A benchmark is defined for each asset class. As a rule, this will be a transparent market index reproducing the return on the respective asset class.

3. Collective investment schemes

Investments take the form of collective investment schemes.

If collective investment schemes are used, compliance with Art. 56, BVV 2 is required.

Products with an obligation to provide additional capital are not admissible, as per Art. 50 para. 4, BVV 2. In this context, a predetermined investment sum ("commitment") with a call right ("capital call") within a defined period is not deemed to be an obligation to provide additional capital.

4. Alternative investments and derivatives

The following conditions apply to alternative investments:

Alternative investments are permitted within the scope of the provisions of BVV 2. Only diversified collective investments may be used in the implementation. Investments in limited partnerships are not permitted.

The following conditions apply to derivative financial instruments:

The use of derivative financial instruments is regulated on the one hand by BVV 2 and on the other by the Act on Financial Market Infrastructure and Market Behavior in Securities and Derivatives Trading (Financial Market Infrastructure Act, FinfraG).

OTC derivative transactions are only permitted for foreign currency hedging of deliverable foreign currencies. The transactions concluded may not be subject to any reporting obligations to be fulfilled by the Foundation pursuant to Art. 104 et seq. FinfraG or risk mitigation obligations pursuant to Art. 107 et seq. FinfraG.

The transaction is concluded exclusively via central counterparties approved or recognized by FINMA.

Transactions with a counterparty domiciled abroad (Art. 104 para. 2c FinfraG) are not permitted.
The Foundation qualifies as a financial counterparty (FC) according to Art. 93 para. 2 letter g, FMIA.

As it fails to reach the threshold value (average gross positions of all outstanding OTC derivative transactions according to Art. 100, FMIA and Arts. 88ff., FMIO), it qualifies as a small financial counterparty (FC-).

Derivative financial instruments as per Art. 56a, BVV 2 may be used if they are derived from admissible investments as per the investment strategy.

The creditworthiness of the counterparty and the tradability of the investment must be taken into account for each specific instrument.

All obligations that arise from derivative financial transactions, or those which could arise when the right is exercised, must be covered.

If derivative financial instruments are used, it is strictly prohibited to set up a leverage effect on the total assets (hidden borrowing) and to engage in short-selling of underlyings.

Restrictions on investments as per the investment strategy must be observed; this includes derivative financial instruments.

Compliance with the coverage obligation and the restrictions is governed by the obligations that may arise for the Foundation from derivative financial instruments on conversion into the underlying investments in the most extreme case.

5. Securities lending

Securities lending and repurchase agreements are permissible provided they comply with the Federal Collective Investment Schemes Act (CISA) and its implementing provisions. In repurchase agreements, the Foundation may only act as the lender.

The provisions of the Federal Collective Investment Schemes Act (CISA) apply analogously (Art. 55 para. 1 letter a, CISA, SR 951.31; Art. 76, Federal Collective Investment Schemes Ordinance (CISO), SR 951.311; Arts. 1 ff., FINMA Collective Investment Schemes Ordinance (CISO-FINMA), SR 951.312).

6. Repurchase agreements

Repurchase agreements are admissible, but the Foundation may only act as the lender (reverse repo). The provisions of the Federal Collective Investment Schemes Act (CISA) apply analogously (Art. 55 para. 1 letter b, CISA, SR 951.31; Art. 76, Federal Collective Investment Schemes Ordinance (CISO), SR 951.311; Arts. 11 ff., FINMA Collective Investment Schemes Ordinance (CISO-FINMA), SR 951.312).

Appendix 5 Investments in the employer
(Art. 57, BVV 2)

Investments in the employer are, in principle, not permissible. This rule does not apply to securities purchased by External Asset Managers as part of their asset management activities.

If payment transactions are processed through the employer (contribution payments, premium payments, collections), short-term credit balances with the employer are permitted up to a maximum of 2 monthly contributions.

The provisions of Art. 57, BVV 2 are to be complied with at all times.

Appendix 6 Costs of asset management

(Art. 48a, BVV 2)

The presentation of asset management costs as per Art. 48a, BVV 2 is compliant with Directive W-02/2013 of the OPSC (Occupational Pension Supervisory Commission), "Recognition of asset management costs".