

# **Investment Regulations Swisscanto Flex Collective Foundation of cantonal banks**

**1st January 2024**



**Swisscanto**  
Flex Collective  
Foundation

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# Glossary

Asset allocation	Allocation of assets to the different asset classes. Structuring of a portfolio by currencies and investment vehicles.
Asset & liability analysis	Analysis used to identify the asset allocation that will achieve the optimum return for the Foundation. The analysis takes a holistic view of the Foundation's assets and liabilities and also considers other aspects including the structure and expected development of the portfolio of insured persons and pensioners.
Benchmark	Reference figure, such as an equity index or index portfolio, that is used as a standard of comparison when analysing the performance of a portfolio.
Credit rating	Assessment of a debtor's creditworthiness and ability to pay. Creditworthiness refers to the characteristics that determine willingness to pay, while ability to pay refers to the material conditions that make payment possible. Differences in creditworthiness are reflected in the credit rating derived from credit and securities analysis or assigned by Standard & Poor's (specialist credit rating agency).
Delta-adjusted exposure	With asymmetric derivatives (options), the relationship between the underlying and the derivative (option) is not linear. This relationship is measured by the delta. The delta of a call option is between 0 and +1, while the delta of a put option is between -1 and 0. In the case of derivatives, the exposure incorporates not only the option price but also the exposure to the underlying.
Derivatives	Umbrella term for financial products that are linked to one or more underlying instruments such as equities, bonds, indices, etc. (underlying).
Diversification	Distribution of a portfolio across different asset classes in order to reduce the overall risk.
Exposure	Obligation arising from the purchase of a (new) security, or a term used to refer to the overall securities portfolio.
Fund of funds principle	Principle whereby an investment fund (umbrella fund) invests in various other funds that follow different investment strategies.
Hedge funds	Collective investment schemes that invest in the global markets, focus on absolute returns and aim for capital growth. Hedge funds apply a range of investment techniques, are subject to very few legal restrictions and often only accept a limited number of investors in order to keep the investment strategy flexible. The classification of hedge funds is based not only on the asset class in which they invest (equities or bonds) or the investment region or investment topic, but also on the investment strategies.
High-yield/ sub-investment- grade bonds	High-yield bonds are fixed-interest securities that are rated BB+ or lower by the leading rating agencies or have this default rating if they have not yet been rated. Due to their poorer credit rating, high-yield bonds offer higher returns than paper with a better rating, but also entail higher risks. Companies and emerging markets are the most important issuers of this type of bonds.

Hybrid instruments	Financial market instruments that include typical elements of both debt capital and equity capital. Examples include option bonds and convertible bonds.
Investment controlling	Regular reports on the portfolio's performance relative to the benchmark.
Capitalisation rate	Used to calculate the capital value (or earnings value) of regular flows of income or earnings (e. g. rental income).
Short selling	Forward sales of financial instruments or goods that the seller does not yet own. The seller's objective is to obtain these instruments/goods at a cheaper price before they have to deliver.
Obligation to provide additional collateral	Call for additional collateral to increase the cover for securities against which loans have been granted or for forward contracts if their market price has fallen below a specific threshold.
Net asset value	Value of an investment that is calculated by capitalising future earnings using a specific capitalisation rate.
Relative performance	Monthly/annual performance deviation (difference between portfolio return and benchmark return).
Principal	The counterparty of Swisscanto Flex for securities lending.
Private equity	Non-public transactions that aim to increase the value of listed or unlisted companies in order to withdraw from the companies again at a later date. Private equity companies invest in companies in the most diverse phases of development.
Rebalancing	Periodic switches within a portfolio in order to return the individual asset classes to their initial strategic asset allocation. E. g.: when bond prices fall and equity prices rise, equities are sold and bonds are purchased.
Return	The annual return on an investment expressed as a percentage. The return comprises both the coupon payments and the gain/loss on the investment.
Securities lending	The lending of securities for a fixed or unlimited period in exchange for a commission and the provision of collateral. Demand arises in particular for longer-term arbitrage, hedging or financing transactions.
Standard & Poor's rating	See 'Credit rating'.
Structured product	Combination of two or more financial instruments – at least one of which must be a derivative – to form a new investment product.
Forward transaction	The opposite of a spot transaction. A transaction (purchase or sale) in which the performance of the contract (e.g. delivery and payment of foreign currency, goods or securities) does not take place immediately but at a later date, at a price agreed previously or determined by the stock exchange. A distinction is made between unconditional forward transactions (futures, forwards) and conditional forward transactions (options).

# A. Purpose of the Investment Regulations

## Art. 1 Purpose

These Investment Regulations set out the medium- to long-term objectives and applicable guidelines to be observed in relation to the management of the assets of the Swisscanto Flex Collective Foundation of the Cantonal Banks (hereinafter the Foundation) pursuant to the relevant statutory provisions (Art. 51a para. 2 (m) and (n) of the Swiss Federal Act on Occupational Old Age, Survivors' and Invalidity Pension Provision (BVG) and Art. 49a para. 1 and 2 of the Ordinance on Occupational Old Age, Survivors' and Invalidity Pension Provision (BVV 2)). The duties and powers of the bodies involved are governed herein. The Foundation Board is responsible for the contents of the Investment Regulations.

Assets are managed in compliance with the Occupational Pensions Code.

## **B. Objectives and principles of investment**

### **Art. 2 Main objectives**

The most important objectives for investing assets are as follows:

- a. To ensure that the benefits promised to beneficiaries are covered with suitable collateral at all times. To strive for an overall return that is in line with the market, nominally higher than the target return over the medium term, and makes it possible to fulfil the financing scenario and create appropriate provisions and reserves.
- b. To achieve the highest possible return for the level of investment risk that has been accepted based on the Foundation's risk tolerance, without taking any excessive risks. This risk should be spread as efficiently as possible across asset classes, markets, currencies, sectors and securities. Security-specific risk should be minimised through diversification.
- c. Liquidity must be guaranteed at all times to ensure that beneficiaries receive their benefits on time.
- d. The portfolio should be invested in accordance with the following sustainability approaches: Stewardship: Voting & Engagement, Controversy Avoidance, ESG Integration and Climate: CO2e Reduction.

### **Art. 3 Framework conditions**

#### **3.1 Legal regulations**

All statutory investment regulations and provisions, in particular those of the BVG, BVV 2 and the directives and recommendations of the responsible authorities, must be observed at all times.

#### **3.2 Investment guidelines**

The investment guidelines to be defined by the Foundation Board and defined in Section C must be adhered to. The investment guidelines lay down minimum requirements for the quality of investments. These requirements are stricter than the statutory provisions.

#### **3.3 Reconciliation of benefits and contributions**

There must always be sufficient liquidity available to pay benefits. If the contributions are not sufficient to cover this, a corresponding cash portion must be defined in the investment strategy.

### **Art. 4 Strategic asset structure and risk tolerance**

#### **4.1 General**

The Foundation Board determines the desired long-term asset allocation. An asset & liability analysis is carried out to identify the asset allocation that will achieve the optimum return while also taking the Foundation's risk tolerance into account. Investment activities need to be reconciled with the obligations of the pension institution over the medium to long term (Art. 51a para. 2 (n) BVG).

#### **4.2 Investment strategy**

The long-term asset allocation and the maximum permitted deviations per asset class are set out in Annex 1 to the Investment Regulations. The ranges must be complied with at all times and reviewed both on a regular basis and in the event of exceptional circumstances.

### 4.3 Expanded investment options

Based on Art. 50 para. 4 BVV 2 (expanded investment options), deviations from the BVV 2 limits are permitted within the parameters of these Investment Regulations. The principles of security and risk diversification (Art. 50 BVV 2) must be observed and conclusive proof of compliance must be provided in the notes to the annual financial statements.

## Art. 5 Selection of asset managers

### 5.1 General

Asset managers must possess both the specialist knowledge and expertise required to professionally manage an asset management mandate and a suitable track record of past performance, ideally in line with Global Investment Performance Standards (GIPS).

Only persons and institutions as defined in Art. 48f BVV 2 may be appointed as external asset managers.

Persons and institutions who are entrusted with asset management must possess the relevant expertise and guarantee that they fulfil the requirements pursuant to Art. 51b para.

1 BVG and the provisions of Art. 48g–48l BVV 2 in particular. The maintenance and operation of real estate is not classed as asset management.

### 5.2 Criteria

Passively managed mandates should achieve the benchmark return (gross return before costs are deducted) on an annual basis. Active mandates should achieve or exceed the benchmark return (net return after costs are deducted) over a rolling medium-term period.

## Art. 6 Valuation principles for assets

### 6.1 Basic principle

Assets and liabilities are to be valued in accordance with the accounting and reporting recommendations set out in Swiss GAAP FER 26.

### 6.2 Nominal value investments

Current accounts, mortgages, loans, etc. are recorded in the balance sheet at their nominal value.

### 6.3 Bonds and equities

Bonds and equities are valued at their market price on the reporting date. Foreign currencies are also translated at their market price on the reporting date.

### 6.4 Real estate investments

No provision is made for direct real estate investments. Indirect real estate investments are valued at their market price on the reporting date if there is a liquid market for the investment. Units in real estate investment foundations are valued at their published net asset value.

### 6.5 Units in investment funds and investment foundations

Investment funds and investment foundations are valued at their market price, net asset value or redemption value.

### 6.6 Derivates

Derivatives are valued at their market price on the reporting date.

## **Art. 7 Valuation principles for liabilities**

### **7.1 Value fluctuation reserve**

The target value of the value fluctuation reserve for the investment strategies is also determined as part of the asset & liability analysis. This target value is based on financial and economic considerations and the current circumstances (e.g. capital market trends, asset allocation, investment strategy, structure and development of the pension capital and technical provisions or conversion rate, increase in life expectancy, etc., desired return objective or target return and safety level). Expected returns are estimated using the risk premium approach, starting from the current level of interest rates. The average risk premiums are based on historic data. A safety level of 97.5% for one year is used to determine the target value of the value fluctuation reserve (minimum values). The target value is reviewed annually and adjusted if necessary.

If the value fluctuation reserve does not reach the target value, no free funds may be reported in the balance sheet and no funds may be distributed.

### **7.2 Technical provisions**

The pension actuary sets aside appropriate provisions for regulatory actuarial risks.

# C. Investment guidelines

## Art. 8 General

### 8.1 Basic principle

Statutory investment regulations and provisions must be complied with at all times. Investments should be made in easily tradable liquid securities with impeccable creditworthiness.

### 8.2 Market index

A suitable benchmark must be defined for every asset class. The Foundation's strategy portfolio is created based on the weightings of the strategic asset allocation and the benchmarks.

### 8.3 Investment style

Asset management mandates can pursue an active or a passive investment strategy. Both mixed mandates (different asset classes in one mandate) and specific asset management mandates (one asset class per portfolio) may be awarded. Both direct investments and collective investments (investment funds, investment foundations, special funds, etc.) are permitted.

### 8.4 Allocation

When reviewing compliance with the BVV 2 investment regulations (investment restrictions), in the case of hybrid investment instruments it is always the underlying investments that are material for the purposes of allocation. The individual asset classes are governed by the guidelines set out in Art. 9 to Art. 19.

## Art. 9 Cash

The 'Cash' asset class includes all current accounts and savings accounts, time deposits and money market investments with a term of up to 12 months, and money market funds.

Investments in the 'Cash' asset class are only made in easily tradable assets. Time deposits and money market investments are only permitted with financial institutions with a short-term rating of at least A-2 (Standard & Poor's), P-2 (Moody's) or comparable quality.

## Art. 10 Bonds denominated in Swiss francs

### 10.1 Guidelines

Investments are only made in easily tradable CHF bonds issued by the public sector or private companies. These may be domiciled in Switzerland or abroad. Direct investments must have a Standard & Poor's rating of at least BBB- (or comparable).

Collective investments must have an average Standard & Poor's rating of at least A- (or comparable). As an alternative to the average rating, collective investments are permitted where their investment universe is restricted to investment-grade bonds (minimum rating BBB-) and liquidation is envisaged for invested securities that fall below this rating.

In the case of investments in unrated bonds, the bond is compared with a listed bond that has a rating and is as similar as possible in terms of characteristics, in particular a bond of the same duration.

If the rating of a bond or collective investment falls below the defined minimum rating, it must be sold within 30 days or reallocated to the 'Sub-investment-grade bonds' asset class.

## **10.2 Management**

The management of bonds denominated in Swiss francs should in principle be based on the risk profile of the stipulated benchmark. Deviations are permitted subject to compliance with the above guidelines.

## **Art. 11 Bonds denominated in foreign currencies (FC)**

### **11.1 Guidelines**

Investments are only made in easily tradable foreign currency bonds issued by the public sector or private companies. These may be domiciled in Switzerland or abroad. Direct investments must have a Standard & Poor's rating of at least BBB- (or comparable).

Collective investments must have an average Standard & Poor's rating of at least A- (or comparable). As an alternative to the average rating, collective investments are permitted where their investment universe is restricted to investment-grade bonds (minimum rating BBB-) and suitable liquidation is envisaged for invested securities that fall below this rating.

In the case of investments in unrated bonds, the bond is compared with a listed bond that has a rating and is as similar as possible in terms of characteristics, in particular a bond of the same duration.

If the rating of a bond or collective investment falls below the defined minimum rating, it must be sold within 30 days or reallocated to the 'Sub-investment-grade bonds' asset class.

### **11.2 Management**

All currencies included in the benchmark are permitted. Foreign currency exposures may be hedged.

The management of bonds denominated in foreign currencies should in principle be based on the risk profile of the stipulated benchmark. Deviations are permitted subject to compliance with the above guidelines.

## **Art. 12 Sub-investment-grade bonds**

### **12.1 Guidelines**

Investments are made in sub-investment-grade bonds issued by the public sector or private companies that do not meet the minimum rating requirements set out in these Investment Regulations for inclusion in the 'Bonds denominated in Swiss francs' or 'Bonds denominated in foreign currencies' asset classes (e.g. high-yield bonds or bond funds with an inadequate average rating or (partial) sub-investment-grade investment universe). Debtors may be domiciled in Switzerland or abroad.

### **12.2 Management**

All currencies included in the benchmark are permitted. Foreign currency exposures may be hedged.

## **Art. 13 Convertible bonds and bonds with warrants**

### **13.1 Guidelines**

Convertible bonds and bonds with warrants are governed by the same quality standards as bonds.

### **13.2 Allocation**

For the purposes of monitoring ranges, convertible bonds and bonds with warrants are allocated to bonds. These fall into the relevant sub-class depending on the denomination currency (CHF or FC).

## **Art. 14 Equities**

### **14.1 Guidelines**

Direct investments are only made in listed securities. All securities represented in the benchmark are permitted as direct investments. Collective investments in the 'Equities' asset class may not have a leverage effect.

## **14.2 Management**

The management of equities should in principle be based on the risk profile of the stipulated benchmark. Deviations are permitted subject to compliance with the above guidelines.

## **14.3 Allocation**

Direct investments in real estate equities are allocated to the 'Equities' asset class.

## **Art. 15 Real estate**

### **15.1 Selection criteria**

Swisscanto Flex invests in real estate via collective investments (investment funds or investment foundations).

Collective investments should have sufficiently liquid units and a well-diversified real estate portfolio. The maximum proportion of debt capital for collective investments in the 'Real estate' asset class" is 50%.

### **15.2 Foreign real estate**

Investments via collective investments in foreign real estate are permitted.

### **15.3 Expanded investment options**

These regulations make it possible to exceed the BVV 2 limit of no more than 30% real estate pursuant to Art. 50 para. 4 BVV 2 (expanded investment options) and define this as follows: Maximum of 30% Swiss real estate and 10% foreign real estate (maximum of 40% real estate in total). The restriction laid down in Art. 55 (c) BVV 2 of no more than one-third foreign real estate is also lifted. Real estate investments are permitted irrespective of the Swiss–foreign ratio provided that the investments are within the ranges defined in these Investment Regulations.

## **Art. 16 Derivatives**

### **16.1 General**

Derivatives may be used in accordance with the statutory provisions pursuant to BVG and BVV 2 (in particular Art. 56a BVV 2).

### **16.2 Potential uses**

Derivatives are generally only used as an add-on, for example to hedge against unwanted risks.

## **Art. 17 Investments in / loans to the employer**

The statutory provisions pursuant to BVV 2 must be complied with.

## **Art. 18 Alternative investments**

### **18.1 General**

Investments in alternative assets such as hedge funds, insurance-linked securities, commodities, microfinance and infrastructure investments are permitted. The same applies to investments in claims classed as alternative investments pursuant to Art. 53 para. 3 BVV 2.

Investments in alternative assets may only be made via collective investments, diversified certificates or diversified structured products.

None of the investments in the 'Alternative investments' asset class may give rise to potential obligations for the Foundation to provide additional collateral.

### **18.2 Private equity**

Investments in private equity are not permitted.

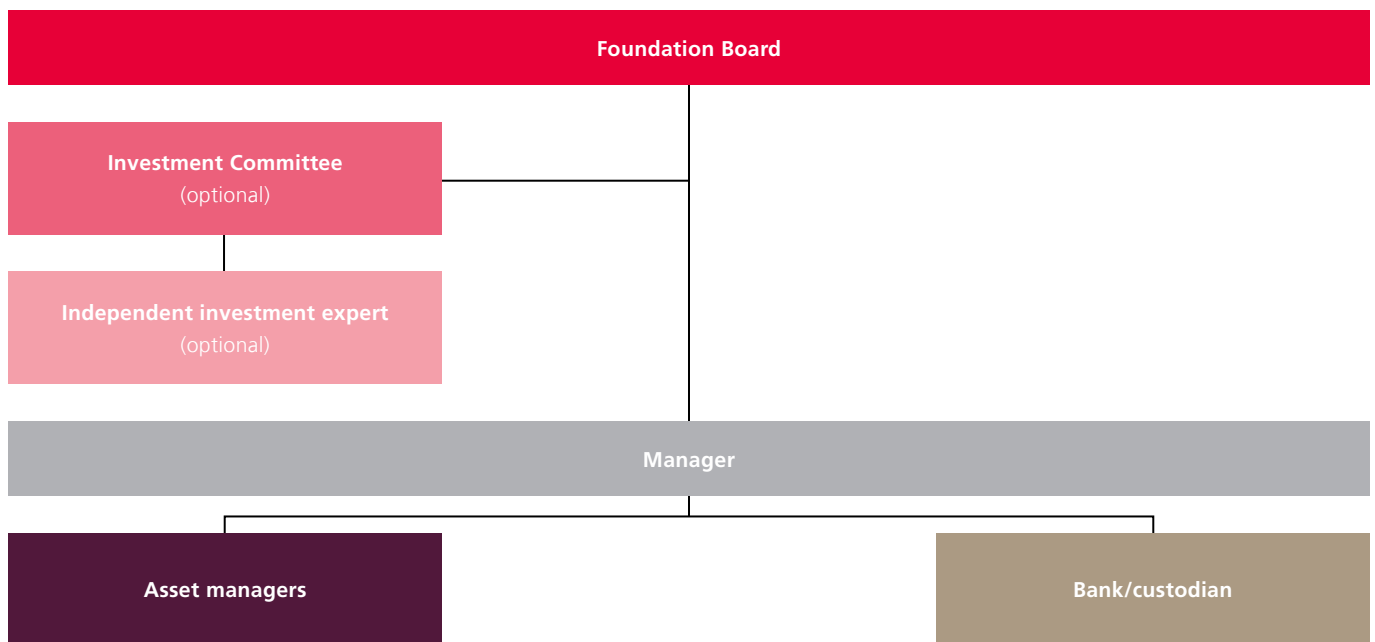
## **Art. 19 Securities lending**

Securities lending is only permitted in connection with collective investments.

## D. Duties and powers

### Art. 20 Overview

The duties and powers for asset management are defined in Art. 21 to Art. 26 and delegated to the following function holders:



## **Art. 21 Foundation Board**

### **21.1 Duties and powers**

The Foundation Board

- a. has overall responsibility for the management of the assets pursuant to Art. 51a BVG and exercises its non-transferable and inalienable duties pursuant to Art. 51a para. 2 BVG;
- b. is responsible for the management of the Foundation's assets;
- c. defines the objectives and principles of asset management;
- d. is responsible for defining the investment strategy, ranges and value fluctuation reserves (governed by the Investment Regulations);
- e. can delegate implementation of the investment strategy to an Investment Committee. In this case, the Investment Committee is appointed by the Foundation Board;
- f. can delegate the definition of ranges and value fluctuation reserves to the Investment Committee (but not the definition of the investment strategy);
- g. adopts the Investment Regulations and the investment guidelines;
- h. decides on the selection of asset managers, banks and custodians;
- i. instructs the Manager and the Investment Committee to exercise shareholder voting rights;
- j. monitors the investment activity of the instructed bodies, in particular the implementation of the investment strategy, compliance with ranges and the exercise of shareholder voting rights;
- k. provides the beneficiaries with information about the investment performance on an annual basis;
- l. monitors compliance with disclosure obligations (Art. 48l BVV 2) and with the provisions regarding conflicts of interest (Art. 48h BVV 2) and the surrender of pecuniary advantages (Art. 48k BVV 2).

## **Art. 22 Investment Committee (optional)**

### **22.1 Guidelines**

The Foundation Board may appoint an Investment Committee to perform duties defined in these Investment Regulations. If there is no Investment Committee, the Foundation Board is responsible for these duties.

### **22.2 Duties and powers**

The Investment Committee

- a. draws up and reviews the Foundation's Investment Regulations on a regular basis;
- b. draws up written asset management contracts for the asset managers;
- c. decides on the selection of advisors;
- d. determines responsibilities with regard to investments (investment organisation);
- e. adopts decision-making principles for defining the investment strategy;
- f. requests changes to the investment strategy;
- g. assesses the investment performance (or has it assessed) on a regular basis and provides information to the Foundation Board (investment controlling);
- h. defines the content of the performance reports;
- i. is responsible for realising the investment strategy defined by the Foundation Board;
- j. decides on the exercise of shareholder voting rights in critical cases;
- k. draws up rules for rebalancing and monitors their implementation by the persons responsible;
- l. oversees the Manager's liquidity plan;
- m. can ask the Foundation Board to convene an extraordinary meeting in the case of extraordinary events.

## **Art. 23 Asset managers**

### **23.1 Award of mandate**

The asset managers (portfolio managers) pursuant to Art. 48f BVV 2 are appointed by the Foundation Board. Asset management mandates may be awarded internally and externally.

## 23.2 Duties and powers

The asset managers

- a. manage the Foundation's assets according to the relevant provisions (asset management contract, BVG provisions and Investment Regulations);
- b. attend the meetings of the Investment Committee, or, if none exists, the meetings of the Foundation Board, as requested;
- c. provide reports to the Manager at least every three months (or at shorter intervals if requested by the Investment Committee) on investment activities and relative performance (justification for deviations)

## Art. 24 Manager

### 24.1 Duties and power

The Manager

- a. monitors the asset managers to ensure compliance with the relevant provisions (strategy and ranges, investment guidelines, asset management contract);
- b. monitors the performance of the asset managers;
- c. monitors the Foundation's overall performance and compares it with the strategy;
- d. is responsible for liquidity planning and controls;
- e. carries out rebalancing according to the rules of the Foundation Board or the Investment Committee to ensure compliance with the investment strategy and the ranges;
- f. acts as the direct principal and point of contact for banks/custodians and asset managers;
- g. assists the Foundation Board or the Investment Committee with studies and analyses;
- h. exercises shareholder voting rights in routine cases. In critical cases (particularly involving agenda items that are subject to public controversy), they submit the voting documents to the Investment Committee for a decision.  
They submit a report on the exercise of shareholder voting rights to the Foundation Board at least once a year;
- i. prepares the meetings of the Investment Committee and the Foundation Board;
- j. ensures that withholding tax is reclaimed.

## Art. 25 Bank/custodian

### 25.1 Duties and power

The banks/custodians

- a. manage the Foundation's accounts and custody accounts;
- b. process stock exchange transactions;
- c. are entrusted with the safekeeping of securities;
- d. submit the **withholding tax certificate to the Manager.**

## Art. 26 Independent investment expert

### 26.1 Award of mandate

The Foundation Board may engage one or more advisors to perform the following activities on behalf of the Investment Committee or the Foundation Board.

### 26.2 Duties and power

The independent investment expert

- a. draws up a detailed risk tolerance analysis on a regular basis and calculates the necessary value fluctuation reserves;
- b. prepares a proposal regarding the investment strategy and ranges;
- c. reviews the overall risk tolerance at least once a year;
- d. assesses the performance of the asset managers and the investment activities in general on a regular basis;
- e. provides specialist support to the Investment Committee or the Foundation Board in defining and implementing the investment strategy;
- f. is available to answer any questions from the Foundation Board, the Investment Committee and the Manager regarding asset management.

# E. Exercise of shareholder voting rights

## Art. 27 Exercise of statutory obligation to vote

### 27.1 Scope of application

There is a statutory obligation to vote in respect of:

- directly held shares of public limited companies pursuant to Art. 620 – 762 of the Swiss Code of Obligations (OR) that are listed on a Swiss or foreign stock exchange;
- indirectly held shares of public limited companies pursuant to Art. 620 – 762 of the Swiss Code of Obligations (OR) that are listed on a Swiss or foreign stock exchange, provided that the Foundation is granted a right to vote (e.g. if the Foundation is the owner of a single investor fund or in the case of a collective investment can exercise its pro rata voting right via proxy voting).

This statutory obligation applies if the shareholders are voting on one of the following points relating to published proposals:

- election of the members of the Board of Directors and the Chair of the Board;
- election of the members of the Compensation Committee and the independent proxy;
- amendments to the Articles of Association;
- compensation paid to the Board of Directors, the Executive Board and the Advisory Board.

### 27.2 Basic principle

The exercise of shareholder voting rights is geared to the long-term interests of the beneficiaries, whose long-term aim is to ensure that the Foundation thrives over the long term. In specific terms, the Foundation should vote in a way that maximises the long-term performance of the company's share price.

### 27.3 Decision-making process

The Manager normally votes in line with the proposals of the Board of Directors, except on agenda items that are subject to public controversy. In the latter case, they must submit the agenda item to the Investment Committee for a decision. The Investment Committee must also decide on the exercise of voting rights if a member of the Foundation Board, the Investment Committee or the Manager believes there are special circumstances that may indicate that the proposal of the Board of Directors should be rejected. Any vote rejecting a proposal of the Board of Directors must be approved by the Investment Committee or via a resolution of the Foundation Board.

### 27.4 Implementation

The Manager is responsible for implementing the decision on the vote, namely completing and sending in the voting cards.

### 27.5 Obligation to exercise share-holder voting rights

Postal voting is permitted. The Foundation may abstain from voting on one or all items on the agenda of an Annual General Meeting where this would best serve the interests of the beneficiaries. Abstaining from voting on all agenda items is not permitted, however.

### 27.6 Securities lending

In the case of directly held shares of public limited companies pursuant to Art.

620 – 762 of the Swiss Code of Obligations (OR) that are listed on a Swiss or foreign stock exchange, securities lending is only permitted provided that this does not impair the ability to exercise shareholder voting rights.

## **27.7 Entry in the shareholder register**

For directly held shares of public limited companies pursuant to Art. 620 – 762 of the Swiss Code of Obligations (OR) that are listed on a Swiss or foreign stock exchange, the Manager ensures that the Foundation is entered in the share register (or shareholder register) of the public limited company concerned. If there is no share register (or shareholder register) or an entry is not possible, the Manager will ensure via other means that they always receive voting documents in good time.

## **27.8 Criminal liability**

Any knowing violation of the statutory obligations to vote and disclose the voting record by members of the Foundation Board or any persons entrusted with the management of the Foundation is punishable by a fine of up to 180 times the daily rate of income.

## **Art. 28 Exercise of voting rights in all other cases**

### **28.1 Scope of application**

This article governs voting behaviour in all cases that are not covered by Art. 27 para. 1 and are therefore not subject to the statutory obligation to vote. These include voting at the Annual General Meeting of an investment foundation. The following is based on the provisions of Art. 49a para. 2 (b) BVV 2.

### **28.2 Basic principle**

The general principle of Art. 71 BVG applies as a guideline for voting behaviour and for the decision on whether it is actually necessary to attend the Annual General Meeting for reasons of efficiency. According to this principle, the Foundation must manage its assets in a way that ensures investments are safe and generate sufficient income, risks are appropriately distributed and the foreseeable demand for liquid funds is met. The Foundation tries to vote in a way that maximises the long-term performance of the company's share price and the investment foundation's net asset value.

### **28.3 Decision**

The Manager normally votes in line with the proposals of the Board of Directors, except on agenda items that are subject to public controversy. In the latter case, they must submit the agenda item to the Investment Committee for a decision. The Investment Committee must also make the decision if a member of the Foundation Board, the Investment Committee or the Manager believes there are special circumstances that may indicate that the proposal of the Board of Directors should be rejected. Any vote rejecting a proposal of the Board of Directors must be approved by the Investment Committee or via a resolution of the Foundation Board.

### **28.4 Implementation**

The Manager is responsible for implementing the decision on the vote, namely completing and sending in the voting cards.

### **28.5 Abstention from voting**

The Manager may abstain from voting where they feel this would best serve the interests of the beneficiaries. For reasons of efficiency, the Manager may also decide to abstain from voting on all agenda items where this would not be manifestly contrary to the interests of the beneficiaries.

## F. Reporting

### **Art. 29 Performance report and compliance with ranges**

#### **29.1 Monitoring of asset managers**

The Manager monitors performance on a regular basis and at least once a quarter provides the Investment Committee or the Foundation Board with information about the performance of individual asset managers and compliance with the ranges and investment guidelines.

#### **29.2 Overall performance**

At least once a quarter, the Manager provides the Investment Committee or the Foundation Board with information about the overall return generated and compares this with the return on the strategy portfolio.

#### **29.3 Performance reporting by asset managers**

The asset managers submit reports on their investment activities including sustainability report to the Manager at least once a quarter. In their reports, the asset managers provide reasons for any deviations in performance. At least once a year, the asset managers confirm their compliance with the investment guidelines in writing in accordance with the provisions of the asset management contract. The Manager provides the Investment Committee or the Foundation Board with information about the asset managers' investment activities.

### **Art. 30 Information**

#### **30.1 Foundation Board**

The Investment Committee provides the Foundation Board with information each year about investment activities and investment performance in the previous year. Every six months, the Investment Committee prepares a short report for the Foundation Board on investment activities and asset performance. The Investment Committee also provides information to the Foundation Board about extraordinary events such as non-compliance with ranges.

#### **30.2 Beneficiaries**

The Foundation Board provides the beneficiaries with information each year about investment activities and investment performance.

#### **30.3 Information on shareholder voting rights**

The Foundation's voting behaviour is disclosed each year in the notes to the annual financial statements or in another suitable form.

#### **30.4 Sustainability report**

The Board of Trustees informs the beneficiaries annually about the implementation of the asset manager's sustainability strategy

# G. Loyalty in asset management

## **Art. 31 Integrity of persons in charge**

The persons entrusted with the management or administration of the Foundation or with asset management must have a good reputation and be able to guarantee irreproachable business conduct. They are also subject to the fiduciary duty of care and must safeguard the interests of those insured with the Foundation in their activities. As such, the investment of assets must exclusively serve the interests of the Foundation. To this end, they must ensure that no conflicts of interest will arise as a result of their personal and business relationships (Art. 51b para. 2 BVG).

## **Art. 32 Conflicts of interest and pecuniary advantages**

### **32.1 Avoiding conflicts of interest**

External persons entrusted with management or asset management or the beneficial owners of companies entrusted with these duties may not be represented on the Foundation's highest governing body. The Foundation must be able to terminate asset management contracts that it concludes for the purpose of occupational pension provision at the latest five years after they are concluded without any adverse repercussions for the Foundation.

### **32.2 Transactions with related parties**

Competing offers must be sought for any major transactions with related parties. There must be complete transparency with regard to the awarding of the contract. Related parties include in particular spouses, registered civil partners, unmarried partners and first- and second-degree relatives, along with legal entities of which the person concerned is the beneficial owner.

### **32.3 Guidelines on proprietary transactions**

Persons (Foundation Board, Manager, Investment Committee, asset managers, investment controllers, etc.) and institutions entrusted with asset management must act in the best interests of the Foundation. In particular, they may not:

- a. exploit their knowledge of the Foundation's orders to engage in proprietary transactions either in advance, in parallel or immediately afterwards (front/parallel/after running);
- b. trade in a security or investment if the Foundation trades in this security or investment and if this could result in the Foundation being disadvantaged; participation in such transactions in a different form is classed as equivalent to trading;
- c. shift the Foundation's deposits without an economic justification that is in the best interests of the Foundation.

### **32.4 Disclosure**

Persons and institutions entrusted with management or asset management must disclose their interests to the highest governing body on an annual basis. This includes in particular beneficial ownerships of companies that have a business relationship with the Foundation. The highest governing body makes its disclosure to the auditors.

## **Art. 33 Disclosure of personal pecuniary advantages**

Persons and institutions entrusted with the investment and management of pension assets (Foundation Board, Manager, Investment Committee, asset managers, investment controllers, etc.) must submit a written declaration to the Foundation Board at the end of each financial year setting out whether and in what form they benefited from personal pecuniary advantages in connection with the performance of their activities for the Foundation (see 0).

Minor gifts and other standard occasional presents do not need to be disclosed.

## H. Entry into effect

### **Art. 34 Entry into effect**

These regulations are enacted by resolution of the Foundation Board and enter into effect on 1st January 2024. They replace the regulations of 1st December 2022 and any supplements since that date. The Foundation Board may amend these regulations by resolution at any time.

Glattbrugg, 16 January 2024

The Foundation Board

# I. Annexes to the Investment Regulations

## Annex 1 Investment strategies and ranges

As of 1 January 2024, the Foundation's assets are invested as follows in the individual asset classes:

### Flex 25/Pensioners' pension fund investment strategy

Asset class	Strategy	Minimum range	Maximum range
Cash <sup>a</sup>	2%	0%	10%
Bonds denominated in Swiss francs	37%	29%	45%
Bonds denominated in foreign currencies (FC)	12%	6%	18%
Sub-investment-grade bonds	0%	0%	5%
Swiss equities	12.5%	7%	18%
Foreign equities	12.5%	7%	18%
Swiss real estate <sup>b</sup>	22%	17%	27%
Foreign real estate <sup>b</sup>	2%	0%	5%
Gold	0%	0%	5%
<b>Total</b>	<b>100%</b>		

Groups	Strategy	Minimum range	Maximum range
Total equities	25%	20%	30%
Total FC bonds and sub-investment-grade bonds	12%	6%	18%
Total real estate	24%	17%	30%
Total foreign currencies excluding currency hedging	12.5%	0%	25%

<sup>a</sup> This limit only applies on condition that the cash is not invested with the employer; otherwise the limit is 5%.

<sup>b</sup> BVV 2 limit of 30% exceeded pursuant to Art. 50 para. 4 BVV 2 (expanded investment options): maximum of 30% Swiss real estate and 10% foreign real estate (maximum of 40% real estate in total); removal of restriction laid down in Art. 55 (c) BVV 2: investments permitted irrespective of the Swiss–foreign ratio provided that they are within the above ranges.

## Flex 35 investment strategy

Asset class	Strategy	Minimum range	Maximum range
Cash <sup>a</sup>	2%	0%	10%
Bonds denominated in Swiss francs	25%	17%	33%
Bonds denominated in foreign currencies (FC)	14%	8%	20%
Sub-investment-grade bonds	0%	0%	5%
Swiss equities	17.5%	12%	23%
Foreign equities	17.5%	12%	23%
Swiss real estate <sup>b</sup>	22%	17%	27%
Foreign real estate <sup>b</sup>	2%	0%	5%
Gold	0%	0%	5%
<b>Total</b>	<b>100%</b>		

Groups	Strategy	Minimum range	Maximum range
Total equities	35%	30%	40%
Total FC bonds and sub-investment-grade bonds	14%	8%	20%
Total real estate	24%	17%	30%
Total foreign currencies excluding currency hedging	17.5%	5%	30%

<sup>a</sup> This limit only applies on condition that the cash is not invested with the employer; otherwise the limit is 5%.

<sup>b</sup> BVV 2 limit of 30% exceeded pursuant to Art. 50 para. 4 BVV 2 (expanded investment options): maximum of 30% Swiss real estate and 10% foreign real estate (maximum of 40% real estate in total); removal of restriction laid down in Art. 55 (c) BVV 2: investments permitted irrespective of the Swiss–foreign ratio provided that they are within the above ranges.

## Flex 45 investment strategy

Asset class	Strategy	Minimum range	Maximum range
Cash <sup>a</sup>	2%	0%	10%
Bonds denominated in Swiss francs	17%	9%	25%
Bonds denominated in foreign currencies (FC)	10%	4%	16%
Sub-investment-grade bonds	0%	0%	5%
Swiss equities	22.5%	17%	28%
Foreign equities	22.5%	17%	28%
Swiss real estate <sup>b</sup>	23%	18%	28%
Foreign real estate <sup>b</sup>	3%	0%	6%
Gold	0%	0%	5%
<b>Total</b>	<b>100%</b>		

Groups	Strategy	Minimum range	Maximum range
Total equities	45%	40%	50%
Total FC bonds and sub-investment-grade bonds	10%	4%	16%
Total real estate	26%	19%	30%
Total foreign currencies excluding currency hedging	22.5%	10%	30%

<sup>a</sup> This limit only applies on condition that the cash is not invested with the employer; otherwise the limit is 5%.

<sup>b</sup> BVV 2 limit of 30% exceeded pursuant to Art. 50 para. 4 BVV 2 (expanded investment options): maximum of 30% Swiss real estate and 10% foreign real estate (maximum of 40% real estate in total); removal of restriction laid down in Art. 55 (c) BVV 2: investments permitted irrespective of the Swiss–foreign ratio provided that they are within the above ranges.

## **Annex 2 Loyalty in asset management / disclosure of personal pecuniary advantages**

To the Foundation Board of the  
Swisscanto Flex Collective Foundation  
of cantonal banks  
c/o PFS Pension Fund Services AG  
Sägereistrasse 29  
8152 Glattbrugg

### **Loyalty in asset management**

In connection with my activities for the Swisscanto Flex Collective Foundation, I hereby provide the following declaration/confirmation with regard to my personal financial circumstances:

I hereby acknowledge that

- I may only engage in proprietary transactions that have not been expressly prohibited by the relevant bodies (Foundation Board, Investment Committee) and that are not improper.

I complied with all relevant guidelines and provisions in \_\_\_\_\_. Specifically:

- I did not use advance knowledge of price-relevant information to obtain a pecuniary advantage;
- I did not trade in a security or investment if the Swisscanto Flex Collective Foundation traded in this security or investment and if this could have resulted in the Swisscanto Flex Collective Foundation being disadvantaged;  
I have acknowledged that participation in such transactions in a different form is classed as equivalent to trading;
- I did not make any investments with knowledge of transactions planned or concluded by the Swisscanto Flex Collective Foundation (front running);
- I did not engage in any simultaneous transactions in the same securities as  
– the Swisscanto Flex Collective Foundation (parallel running);
- In the case of transactions of the Swisscanto Flex Collective Foundation that were not all executed at the same time, I did not engage in any proprietary transactions either immediately afterwards or in between the individual tranches (after running);
- I did not shift the deposits of the Swisscanto Flex Collective Foundation without an economic justification that was in the Foundation's best interests;
- I disclosed all my interests (see reverse).

I benefited from the following personal pecuniary advantages in \_\_\_\_\_ in connection with the performance of my activities for the Swisscanto Flex Collective Foundation:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

Minor gifts and other standard occasional presents with a value of up to CHF 200 per item and CHF 2,000 per business partner per year, but up to a maximum of CHF 3,000 in total, do not need to be disclosed.

Surname, first name, function: \_\_\_\_\_

Place and date: \_\_\_\_\_

Signature: \_\_\_\_\_

I had the following interests in \_\_\_\_\_ in connection with the performance of my activities for the Swisscanto Flex Collective Foundation:

Interest	Function	Appointed until:	Conflict of interest (self-evaluation)	
			yes <input type="checkbox"/>	no <input type="checkbox"/>
			yes <input type="checkbox"/>	no <input type="checkbox"/>
			yes <input type="checkbox"/>	no <input type="checkbox"/>
			yes <input type="checkbox"/>	no <input type="checkbox"/>
			yes <input type="checkbox"/>	no <input type="checkbox"/>
			yes <input type="checkbox"/>	no <input type="checkbox"/>
			yes <input type="checkbox"/>	no <input type="checkbox"/>
			yes <input type="checkbox"/>	no <input type="checkbox"/>

The BVV 2 provisions (Art. 48f para. 2 and Art. 48g – 48l) explained in detail in the enclosure 'Loyalty in asset management' form an integral part of this confirmation (see enclosure).

Surname, first name, function: \_\_\_\_\_

Place and date: \_\_\_\_\_

Signature: \_\_\_\_\_

### Annex 3 Target value of value fluctuation reserve

Pursuant to Art. 7 para. 1 of the Investment Regulations, a safety level of 99% for one year is used to determine the target value of the value fluctuation reserve (minimum value).

The Foundation Board and the pension commissions may define the safety level and time horizon for the value fluctuation reserve according to the pool chosen for the pension fund. The safety level and time horizon for the next period must be communicated to the Manager by 20 January of the following year. If no notification is made, the statutory safety level of 99% and time horizon of 1 year or the values (safety level and time horizon) most recently defined by the pension commission will apply.

The percentages below are applied to the sum of pension capital and technical provisions in the pension fund concerned.

Target value of value fluctuation reserve = Percentage x (Pension capital + Technical provisions)

The chosen safety level has no impact on the participation and restructuring model.

#### Time horizon of 1 year

Safety level	Flex 25	Flex 35	Flex 45
99.0%	10.3%	12.7%	16.5%

#### Time horizon of 2 years

Safety level	Flex 25	Flex 35	Flex 45
99.0%	13.2%	17.4%	22.9%

# Enclosure

## **Art. 48f BVV 2 Requirements for managers and asset managers**

Persons and institutions who are entrusted with asset management must possess the relevant expertise and guarantee that they fulfil the requirements pursuant to Art. 51b para.

1 BVG and Art. 48g – 48l BVV 2. The maintenance and operation of real estate is not classed as asset management.

## **Art. 48g BVV 2 Checks on the integrity and loyalty of persons in charge**

Personnel changes in the highest governing body, management, administration or asset management must be reported immediately to the responsible supervisory body, which may carry out checks on integrity and loyalty.

## **Art. 48h BVV 2 Avoiding conflicts of interest**

External persons entrusted with management or asset management or the beneficial owners of companies entrusted with these duties may not be represented on the Foundation's highest governing body.

The institution must be able to terminate asset management, insurance and management contracts that it concludes for the purpose of occupational pension provision at the latest five years after they are concluded without any adverse repercussions for the institution.

## **Art. 48i BVV 2 Transactions with related parties**

Competing offers must be sought for any major transactions with related parties. There must be complete transparency with regard to the awarding of the contract.

Related parties include in particular spouses, registered civil partners, unmarried partners and first- and second-degree relatives, along with legal entities of which the person concerned is the beneficial owner.

## **Art. 48j BVV 2 Proprietary transactions**

Persons and institutions entrusted with asset management must act in the best interests of the institution. In particular, they may not:

- a. exploit their knowledge of the institution's orders to engage in proprietary transactions either in advance, in parallel or immediately afterwards (front/parallel/after running);
- b. trade in a security or investment if the institution trades in this security or investment and if this could result in the institution being disadvantaged; participation in such transactions in a different form is classed as equivalent to trading;
- c. shift the institution's deposits without an economic justification that is in the best interests of the institution.

## **Art. 48k BVV 2 Surrender of pecuniary advantages**

Persons and institutions entrusted with the management or administration of a pension institution or the management of its assets must set out the nature and amount of their compensation clearly and unambiguously in a written declaration. They must surrender to the institution all additional pecuniary advantages that they benefit from in connection with the performance of their activities on its behalf.

Where external persons and institutions are engaged to broker pension transactions, they must disclose the nature and origin of any compensation they receive for their brokerage activities upon their initial contact with the client. The nature of the compensation must be set out in a written declaration and disclosed to the pension institution and the employer. The payment and acceptance of additional volume, growth or loss-related compensation is prohibited.

#### **Art. 48l BVV 2 Disclosure**

Persons and institutions entrusted with management or asset management must disclose their interests to the highest governing body on an annual basis. This includes in particular beneficial ownerships of companies that have a business relationship with the Foundation. The highest governing body makes its disclosure to the auditors.

Persons and institutions entrusted with the management or administration of an institution or the management of its assets must submit an annual written declaration to the highest governing body confirming that they have surrendered all pecuniary advantages pursuant to Art. 48k BVV 2.