inVor
Occupational pension fund for industry

Investment regulations

valid from 11 December 2015
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On the basis of Art. 50 of the Swiss Federal Law on Occupational Old Age, Survivors’ and Invalidity Pensions (LPP Law on occupational pension schemes) and Art. 3.3 of the deed of foundation as well as Art. 3 paras. 3 and 4 of the organisational regulations of inVor dated 1 January 2015, the Board of Trustees of inVor pension fund for industry issues the following

**Investment regulations**

1. **General**

   1.1 These regulations specify the objectives, principles, guidelines, responsibilities and duties to be observed when managing the assets of inVor in accordance with the statutory requirements (Art. 51a para. 2 lit. m and n LPP Law on occupational pension schemes, Art. 49a paras. 1 and 2 BVV 2).

   1.2 The one and only focus in terms of asset management is on the interests of the beneficiaries.

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

   1.4 The aim of asset management is to ensure that the Foundation's financial equilibrium is enhanced on a sustainable basis. In the event of a shortfall, the supreme body, together with the expert on occupational pensions and the investment expert, evaluates measures pursuant to Art. 65d LPP (Law on occupational pension schemes) designed to restore financial equilibrium.

   1.5 The risk capacity of inVor depends in particular on its financial situation and the structure and consistency of its portfolio of beneficiaries.

2. **Principles**

   2.1 The assets of inVor are to be managed in such a way that

   - the promised benefits can be paid out on schedule at all times;
   - the risk capacity in line with investment policy is complied with, thus ensuring nominal security of the promised benefits;
   - a total return (current return plus value adjustments) is generated within the scope of the risk capacity so that the greatest possible contribution towards retaining the real value of the promised pension benefits can be achieved.

   2.2 For this purpose the assets are

   - invested predominantly in liquid and easily negotiable investments;
   - distributed across various investment classes, markets, currencies, industries and sectors;
   - invested in investments which generate a total return in line with the market.

   2.3 For the purposes of implementing its investment strategy, inVor has recourse to the following resources:
3. Duties and responsibilities

The management organisation in the area of asset management of inVor consists of three levels:

1. Board of Trustees:
2. Investment and real estate commission
3. Pension fund administration

3.1 The Board of Trustees

1. bears the responsibility within the scope of Art. 51 a LPP (Law on occupational pension schemes) for management of the assets and carries out the non-transferable and inalienable duties in accordance with Art. 51a para. 2 LPP (Law on occupational pension schemes);
2. determines the principles and objectives of management of asset investments within the framework of the regulations of Art. 51a para. 2 lit. m LPP (Law on occupational pension schemes) and of Articles 50, 51 and 52 BVV 2;
3. decides on the long-term investment strategy of inVor, the present investment guidelines (the valid investment strategy and the tactical bandwidths are shown in appendix 1) and any enhancements in accordance with Art. 50 para. 4 BVV 2;
4. is responsible for conclusive analysis of any investment enhancements in accordance with Art. 50 para. 4 BVV 2 in the annual report;
5. periodically, or when exceptional events so require, reviews the long-term investment strategy, taking into consideration Art. 50 para. 2 BVV 2;
6. can delegate authorisation to implement the investment strategy within the framework of the principles, objectives and guidelines to an investment and real estate commission and to internal and external asset and real estate managers;
7. determines the extent, creation and dissolution of fluctuation reserves, depending on the investment strategy and the investment results;
8. decides on investments in the employer;
9. can issue further guidelines on the management of individual investment categories or investment instruments (e.g. use of derivative instruments);
10. regulates the exercising of shareholder rights (Art. 49a para. 2 lit. b BVV 2 and Art. 22 VegüV) of the Foundation.

11. decides on the admissibility of securities lending and repurchase agreements;

12. monitors proper implementation of the long-term investment strategy and compliance with the investment guidelines;

13. monitors implementation of the duty of disclosure in accordance with Art. 48l BVV 2);

14. monitors compliance with the regulations regarding conflicts of interest (Art. 48h BVV 2) and the surrender of pecuniary gains (Art. 48k BVV 2);

15. ensures that transparent regulation in terms of third-party benefits is agreed with the asset managers (e.g. retrocessions, rebates, favourable rates, non-cash benefits);

16. monitors compliance with statutory and regulatory provisions regarding the exercising and performing of the Foundation’s shareholder rights;

17. ensures that the director of the pension fund administration informs the beneficiaries at least once a year regarding the development of the asset investments;

18. elects the pension fund administration and decides on asset management (banks, portfolio managers, real estate administration, global custodian securities accounting and investment experts) with whom inVor collaborates;

19. at the beginning of the term of office, elects the employee and employer representatives from among its members to the investment and real estate commission and determines the commission Chairman for a term of office of three years;

20. decides on the involvement of external investment and real estate experts.

3.2 The investment commission and the real estate commission

3.2.1 The investment commission

1. is an expert committee of the Board of Trustees and is composed as follows:
   - Two employee representatives of the Board of Trustees
   - Two employer representatives of the Board of Trustees
   - Director of the pension fund administration (in an advisory capacity)
   - External investment expert (in an advisory capacity)

2. makes its decisions on the basis of a simple majority. For the purpose of passing resolutions, at least three members who are entitled to vote must be present. In the event of a tied vote, the proposal is regarded as rejected. Resolutions passed on the basis of a circular letter are permissible. Resolutions passed on the basis of a circular letter are to be minuted;

3. can, if required and depending on the nature of the business, bring in additional representatives of the Board of Trustees and/or external specialists;

4. can, if required, form committees (cf. 3.3 committees of the investment commission);

5. is responsible within the framework of Art. 3.1 para. 3 for implementation of the strategic asset structure determined by the Board of Trustees and can define a

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1 'Say-on-Pay' Ordinance Against Excessive Compensation in Swiss stock corporations dated 20 November 2013 (VegüV).
short-term and medium-term investment strategy within the scope of the band-
widths defined in the long-term investment strategy;

6. monitors the liquidity and investment plan on a quarterly basis and annually and
decides within the framework of the guidelines on individual investments and/or
the allocation of available resources to the assets managers;

7. meets as a rule four times a year and subsequently informs the Board of Trus-
tees;

8. can if necessary be convened by one member at any time;

9. submits proposals to the Board of Trustees regarding asset managers (banks,
portfolio managers) and other external partners with whom inVor collaborates;

10. determines the permitted extent of securities lending and repurchase agreements
provided that these are permissible;

11. decides the Foundation's voting and election procedures in accordance with
clause 6 and reports to the Board of Trustees on a regular basis;

12. regulates the activity of the asset managers (banks, portfolio managers) by
means of clearly defined management instructions and specific investment
guidelines and monitors their investment activity and investment success;

13. minutes every meeting.

3.2.1.1 Committees of the investment commission

The special committees are deployed by the investment commission. The specifica-
tion for each individual case is defined by the investment commission and must as a
general rule at least include the following points:

- Instructions
- Composition of committee
- Budget
- Responsibilities
- Reporting
- Duration
- Special characteristics

3.2.1.2 The asset managers (portfolio managers)

1. The asset managers are responsible for the portfolio management of individual
security segments within the framework of clearly defined administrative instruc-
tions.

2. Only persons who and institutions which comply with the requirements of Art. 48f
para. 2 (incl. Art. 48h-l) as well as para. 4 and, if need be, para. 5 BVV 2 may be
entrusted with asset management. Moreover, inVor and its affiliated companies
must be economically independent of the asset managers. This applies in partic-
ular to active mandates.

3. The principles for the selection, commissioning, supervision, evaluation and dis-
missal of external asset managers are specified in appendix 4.

4. The guidelines for asset management (securities) are to be specified in separate
mandate contracts.
3.2.1.3 The global custodian

1. is responsible for faultless processing of the so-called basic services of the global custodian such as in particular the safekeeping of securities, processing of all securities transactions, faultless business transactions between the Foundation and its asset managers, entry of the Foundation's registered shares into the share register and delivery of voting cards in respect of bearer shares and of invitations to the corresponding shareholder meetings to the Foundation;

2. is responsible for the processing of securities lending and repurchase agreements, provided that these are permissible; In the course of this, care must be taken to ensure appropriate management of the counter-party risk incurred;

3. is responsible for the compilation and preparation of all information necessary for supervision of the asset managers and investment controlling (report), such as in particular the calculation of the asset managers' investment returns, of the investment categories and of assets held in the form of securities and of the appropriate benchmark indices; presentation of the composition of individual portfolios of the asset managers, of the investment categories and of assets held in the form of securities as well as of the appropriate benchmark indices.

4. The duties of the global custodian are to be regulated in a special-mandate contract.

3.2.1.4 The securities accounting

1. The securities accounting is delegated externally.

2. Its duties and obligations are defined in a separate agreement.

3.2.2 The real estate commission

1. is an expert committee of the Board of Trustees and is composed as follows:
   - Two employee representatives of the Board of Trustees
   - Two employer representatives of the Board of Trustees
   - Director of the pension fund administration (in an advisory capacity)
   - External real estate expert (in an advisory capacity)

2. Makes its decisions on the basis of a simple majority. For the purpose of passing resolutions, at least two members who are entitled to vote must be present. In the event of a tied vote, the proposal is regarded as rejected. Resolutions passed on the basis of a circular letter are permissible. Resolutions passed on the basis of a circular letter are to be minuted;

3. can, if required and depending on the nature of the business, bring in additional representatives of the Board of Trustees and/or external specialists;

4. defines a short-term and medium-term real estate strategy within the scope of the bandwidths defined in the long-term investment strategy;

5. meets as often as required by business, as a general rule four times a year, and subsequently informs the Board of Trustees;

6. must also be convened when at least one member so requests;

7. can grant powers of attorney to third parties or amend or revoke them for the purpose of implementing its resolutions (lawyers, municipal clerks, architects, etc.). This authorisation to grant powers of attorney also expressly applies to land registry transactions (contract signing and submission of land registry entries);
8. submits applications to the Board of Trustees when purchasing and selling properties over CHF 10 million and, in the case of legal transactions, with related organisations or persons;

9. decides on the purchase and sale of properties up to CHF 10 million and determines the policy in terms of rental costs and maintenance;

10. decides on land registry entries such as new entries, amendments or deletion of annotations, reservations, security rights over property, easements of all types;

11. regulates the activity of developer representatives when renovating properties by means of clearly defined developer contracts and supervises their implementation;

12. regulates by means of clearly defined management instructions the activity of the property administration and supervises its letting success;

13. decides on procedures in legal disputes with tenants, neighbours, authorities, companies, etc. and can, among other things, make settlements and determine compensation sums;

14. minutes every meeting.

3.2.2.1 Real estate management

1. The real estate management is delegated externally.

2. Its duties and obligations are defined in a separate agreement. This includes, among other things, compliance with the ‘ASIP Charter’ or equivalent regulations.
3.2.3 The independent external investment expert

1. supports the Board of Trustees, the investment commission and the real estate commission with implementation of the investment strategy and supervision of the investment process; he develops the investment guidelines together with the investment commission and the real estate commission, for the Board of Trustees;

2. supports the investment commission, the real estate commission and the director of the pension fund administration with the preparation of the necessary management information. An investment report is compiled on a quarterly basis for this purpose. This report also includes suggestions for the investment of new assets and coverage of any liquidity requirements.

3. periodically reviews the risk capacity of inVor, the appropriateness of the investment strategy and of the tactical bandwidths;

4. periodically reviews the appropriateness of the mandate specifications and investment guidelines;

5. ascertains the requirement for fluctuation reserves;

6. is at the disposal of the Board of Trustees, the investment commission, the real estate commission and the director of the pension fund administration as required as a contact partner for questions regarding asset management.

3.3 Pension fund administration

1. The pension fund administration is delegated externally.

2. Its duties and obligations are defined in a separate agreement (cf. Art. 8 of the Organisational Regulations). These duties include the following:
   - ongoing management of liquid assets of inVor within the framework of the guidelines issued by the Board of Trustees and the investment commission;
   - issues a liquidity and investment plan on a quarterly basis, containing in particular the liquidity and investment requirements and the investment planning for the next twelve months (rolling planning);
   - is responsible for the liquidity and cash management of inVor;
   - acts as the contact partner for the global custodian and the asset managers;
   - requests on an annual basis from all persons and institutions entrusted with investment and management a written declaration of personal pecuniary gains (Art. 48I para. 2 BVV 2) and reports to the Board of Trustees on this matter;
   - is responsible for administrative implementation of the statutory and regulatory provisions regarding the exercising of the Foundation’s shareholder rights in accordance with clause 6 and appendix 4 clauses 10 and 11 and reports to the Board of Trustees on this matter on a regular basis.
4. **Supervision and reporting**

1. The investments and their management are to be supervised on an ongoing basis. Periodic reports are to be compiled at the appropriate level on the various aspects of supervision, with a view to ensuring that the bodies responsible have the relevant information at their disposal.

2. The reports must ensure that the individual levels of responsibility are informed in such a way that they are able to carry out the control functions allocated to them.

3. The following information strategy is executed within the framework of the three-tier investment organisation:

<table>
<thead>
<tr>
<th>When?</th>
<th>Who?</th>
<th>For whom?</th>
<th>What?</th>
</tr>
</thead>
</table>
| Quarter          | Global custodian              | Investment expert          | - Performance  
|                  |                               |                            | - Deposit statement  
|                  |                               |                            | - Transactions  
|                  |                               |                            | - Benchmark comparison  
|                  |                               |                            | - Structural analyses  
|                  |                               |                            | - Derivatives report  |
| Quarter (if on watch list monthly) | Asset managers | Investment commission | - Report on investment activity  
|                  | Investment expert           |                            | - Reasons for use of derivatives  
|                  |                               |                            | - Reasons for use of collective investments  
|                  |                               |                            | - Reasons for performance deviation  |
| Quarter          | Real estate managers         | Real estate commission     | - Report on investment activity  
|                  | Investment commission        | Investment expert          | - Budget / Current / Forecast  
|                  |                               |                            | - Status of real estate projects  
|                  |                               |                            | - Special events  |
| Quarter          | Investment expert            | Investment commission      | Controlling report  
|                  | Board of Trustees            |                            | - Monitoring report  
|                  |                               |                            | - Evaluation of investment activity  
|                  |                               |                            | - Evaluation of derivatives  
|                  |                               |                            | - Evaluation of collective investments  
|                  |                               |                            | - Evaluation of performance  
|                  |                               |                            | - Recommended actions  |
| Annual           | Investment and real estate commission | Board of Trustees | Information on investment activity and investment success in the past year, the Foundation's voting and election behaviour during shareholder meetings. |
| Annual           | Management on behalf of the Board of Trustees | Beneficiaries | Information on investment activity and investment success in the past year. Information on the Foundation's voting and election behaviour during shareholder meetings. |
5. Governance

All persons who are involved in the administration, management or internal or external asset management of inVor must meet the following requirements:

5.1st Integrity and loyalty
(Art. 51b LPP (Law on occupational pension schemes) / Art. 48h BVV 2)

They must:

• enjoy a good reputation and provide a guarantee for faultless business activity;
• act as fiduciaries exclusively in the interest of the insured persons;
• maintain confidentiality;
• confirm acknowledgement of the present governance rules in writing;
• comply with the ‘ASIP Charter’ or an equivalent set of regulations.

External asset managers may not be represented in the uppermost body of the Foundation.

5.2nd Conclusion of legal transactions
(Art. 51c LPP (Law on occupational pension schemes) / Art. 48h and Art. 48i BVV 2)

All legal transactions must be concluded in accordance with standard market conditions and be terminable within five years after conclusion without disadvantages for the pension fund.

In the case of major transactions with related parties, offers from competitors must be obtained. The contract award process must be arranged in a transparent manner.

5.3rd Own-account transactions
(Art. 48j BVV 2)

They are not permitted to deal in the same securities or investments as the Foundation, if this is to the detriment of the latter, nor to execute concurrent own-account transactions in advance, in parallel or immediately afterwards (‘front running, parallel running, after running’).

It is not permissible to reallocate custody accounts if it is not in the economic interests of the Foundation.

5.4th Remuneration and surrender of financial gains
(Art. 48k BVV 2)

Their compensation must be clearly identifiable and finally regulated in a written agreement. Financial gains which they have received in addition in connection with the exercising of their activity on behalf of the Foundation must be surrendered to it in full.

5.5th Disclosure obligations
(Art. 51c Abs. 2 LPP (Law on occupational pension schemes) / Art. 48l BVV 2)
They must disclose their interests to the uppermost body on an annual basis and submit a written declaration to the latter on an annual basis, confirming that they have surrendered all pecuniary gains in accordance with Art. 48k BVV 2.

In the event that they or persons related to them execute legal transactions with the Foundation, these must be disclosed to the auditor in the course of the annual review. The same applies to legal transactions with the affiliated employer.

6. **Exercising of shareholder rights**

   (Art. 95 Abs. 3 lit. a BV, Art. 49a Abs. 2 lit. b BVV 2, VegüV²)

6.1. **Obligation to take part in shareholder meetings**

   (Art. 22 para. 1 VegüV)

As a shareholder, the Foundation exercises its voting and election rights ('shareholder rights') at all shareholder meetings of Swiss stock corporations listed in Switzerland or abroad, in all cases specified in Art. 22 para. 1 VegüV.

The voting obligation in accordance with Art. 22 para. 1 VegüV means an obligation to attend, i.e. the Foundation must vote 'yes', 'no' or 'abstain'.

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² 'Say-on-Pay' Ordinance Against Excessive Compensation in Swiss stock corporations dated 20 November 2013
To this end,

- it elects, on an annual basis, the Chairman of the supervisory board and each member of the supervisory board and of the remuneration committee separately, as well as the independent proxy (proxies) (Art. 22 para. 1 clause 1 VegÜV). Inconsistent rules must be anchored in the regulations (Art. 12 para. 2 clause 7 VegÜV).

- it votes on all statutory provisions which must by law be submitted to the shareholder meeting for voting, in particular with regard to employment contracts and all remuneration paid to the Board of Trustees, the supervisory board and the advisory board (Art. 22 para. 1 clause 2 VegÜV), or with regard to principles concerning the organisation of the remuneration committee or the assignment of business management (Art. 12 para. 1 clause 3 and para. 2 clause 4 VegÜV).

- vote annually and on an individual basis on the permissible direct and indirect remuneration (cash value and/or value of non-cash benefits) paid to the Board of Trustees, the management and the advisory board (Art. 22 para. 1 clause 3 and Art. 18 as well as Art. 21 clause 3 VegÜV).

6.2. Responsibilities

(Art. 49a para. 2 lit. b BVV 2)

The Board of Trustees deals with the exercising of shareholder rights pursuant to the above listed statutory provisions (cf. clause 6.1.). It can transfer this responsibility to a committee or another body of the Foundation, provided that its supervisory obligations and liability are not violated.

The pension fund administration ensures that the Foundation is entered as a registered shareholder in the share register and that participation in the shareholder meetings and/or instruction of the independent proxy is guaranteed. It reports to the investment commission on the Foundation's voting and election behaviour on a regular basis.

The formal exercising of voting and election rights can be transferred to the pension fund administration which consults the investment commission as necessary. In any case, the Board of Trustees has a right to information at all times with regard to the exercising of shareholder rights by the Foundation.

A direct presence at shareholder meetings on the part of the Foundation or interventions in such a meeting are not required, provided that the presence of an independent proxy is guaranteed. The pension fund administration ensures that the independent proxy is instructed on the Foundation's voting and election behaviour regarding the agenda items submitted in good time.
6.3. Principles and guidelines

(Art. 71 para. 1 LPP (Law on occupational pension schemes) and Art. 22 VegüV)

The Foundation always exercises the shareholder rights in the interest of the insured persons. This is ensured provided that its voting and election behaviour serves the long-term prosperity of the Foundation with regard to Art. 71 para. 1 LPP (Law on occupational pension schemes).

Provided that they are in harmony with the interests of the insured persons, the shareholder rights can be exercised in accordance with the proposals of the Board of Trustees.

For the purpose of decision-making prior to exercising its shareholder rights, the Foundation can take into account analyses and voting recommendations of consultants on share voting rights or those of corporate governance experts, and the interests of the insured persons must be considered.

6.4. Reporting

(Art. 23 VegüV)

The Board of Trustees ensures that the insured persons are informed regarding the Foundation’s voting and election behaviour at least on an annual basis. This information may be provided over the internet (Art. 23 para. 1 VegüV).

To this end, the investment commission informs it on a regular basis on the exercising of shareholder rights at shareholder meetings with regard to Art. 22 para. 1 VegüV and agenda items in accordance with clause 6.1. Deviations from the proposals of the Board of Trustees as well as voting and election abstentions are to be documented in an appropriate manner (Art. 23 para. 2 VegüV). This reporting obligation also applies to indirectly held shares in collective investments and to single investor funds, provided that these fall under VegüV.

6.5. Indirectly held shares (collective investments)\(^3\)

In the event that a collective investment contains shares but does not permit the Foundation to exercise shareholder rights, these are consistently not exercised.

If the collective investment contains shares and permits the Foundation binding participation in votes and elections at shareholder meetings, namely by means of instruction of the independent proxy, the provisions of clauses 6.1 to 6.4 also apply to the exercising of shareholder rights in respect of these collective investments.

\(^3\) Cf. Art. 95 para. 3 lit. a BV and additional report of the Swiss Federal Office of Justice dated 8 October 2013 on the draft VegüV, Page 12
If the possibility exists for the Foundation to express a voting and election preference with respect to the collective investment, the Board of Trustees decides to what extent it makes use of this possibility.

6.6. Sanctions

Breaches of the obligations regarding active exercising of shareholder rights in accordance with the statutory provisions (Art. 22 VegüV) and of the disclosure obligations (Art. 23 VegüV) by members of the bodies or employees of the Foundation against their better judgement are punishable (Art. 25 VegüV).

7. Coming into effect

The present investment regulations were approved by the Board of Trustees on 11 December 2015. They replace the regulations dated 5 December 2014 and come into effect on 11 December 2015.

Zurich, 11 December 2015

invor Occupational Pension Fund for Industry

Urs Bracher
Chairman

Nicole Haas
Deputy Chairman
Appendix 1: Strategic asset structure

1. Investment strategy 2016

<table>
<thead>
<tr>
<th>Investment category</th>
<th>Strategy 2016</th>
<th>BVV 2 Limits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>neutral</td>
<td>Bandwidths</td>
</tr>
<tr>
<td></td>
<td>min.</td>
<td>max.</td>
</tr>
<tr>
<td>Short-term and liquid assets</td>
<td>a</td>
<td>3.0%</td>
</tr>
<tr>
<td>Debentures CHF</td>
<td>b</td>
<td>19.0%</td>
</tr>
<tr>
<td>Mortgages / loans</td>
<td>c</td>
<td>1.0%</td>
</tr>
<tr>
<td>Debentures Euro hedged</td>
<td>d</td>
<td>5.0%</td>
</tr>
<tr>
<td>Debentures global hedged</td>
<td>e = f + g</td>
<td>6.0%</td>
</tr>
<tr>
<td>Debentures global Government bonds</td>
<td>f</td>
<td>3.0%</td>
</tr>
<tr>
<td>Debentures global Corporate bonds</td>
<td>g</td>
<td>3.0%</td>
</tr>
<tr>
<td>Nominal values</td>
<td>h = a + b + c + d + e</td>
<td>34.0%</td>
</tr>
<tr>
<td>Swiss shares</td>
<td>i</td>
<td>10.0%</td>
</tr>
<tr>
<td>Foreign shares</td>
<td>j</td>
<td>14.0%</td>
</tr>
<tr>
<td>Swiss real estate</td>
<td>k</td>
<td>33.0%</td>
</tr>
<tr>
<td>Foreign real estate hedged</td>
<td>l</td>
<td>5.0%</td>
</tr>
<tr>
<td>Private equity</td>
<td>m</td>
<td>1.0%</td>
</tr>
<tr>
<td>Insurance Linked Securities hedged</td>
<td>n</td>
<td>3.0%</td>
</tr>
<tr>
<td>Tangible assets</td>
<td>o = l + j + k + l + m + n</td>
<td>66.0%</td>
</tr>
<tr>
<td>Total</td>
<td>p = h + o</td>
<td>100.0%</td>
</tr>
<tr>
<td>Total foreign currencies (after hedging)</td>
<td>q = j + m</td>
<td>15.0%</td>
</tr>
<tr>
<td>Total shares</td>
<td>r = i + j</td>
<td>24.0%</td>
</tr>
<tr>
<td>Total real estate</td>
<td>s = k + l</td>
<td>38.0%</td>
</tr>
<tr>
<td>Alternative investments</td>
<td>t = m + n</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

If within the framework of asset management a maximum limit is exceeded in accordance with Art. 54 to 55 and/or 57 BVV 2, this must be conclusively demonstrated in the notes to the annual financial statements in accordance with Art. 50 para. 4 BVV 2, taking into account the principles in Art. 50 para. 1 - 3 BVV 2.

2. Tactical bandwidths

- A bandwidth is specified for each category, depending on its share in the strategy in accordance with the table shown above.
- The lower and upper tactical bandwidths define the maximum permissible deviations from the strategic target structure. The bandwidths represent intervention points. The proportions of a portfolio must generally remain within the lower and upper bandwidth. Compliance with the bandwidths is reviewed on a quarterly basis. Deviations must be notified to the Board of Trustees.
- Deviations in the asset structure from the tactical bandwidths are adjusted within the framework of the rebalancing rules.
Appendix 2: Evaluation principles

All assets must as a matter of principle be evaluated at market values on the balance sheet date. The rates ascertained by the global custodians are decisive. In all other respects, the provisions of Art. 48 BVV 2 and Swiss GAAP FER No. 26 clause 3 apply.

Appendix 3: Fluctuation reserves

To compensate for value fluctuations on the assets side and to guarantee the necessary interest payments for the liabilities, value fluctuation reserves are established on the liabilities side of the financial balance sheet (cf. regulations on determining the interest rate and provisions.)

The necessary target value of the fluctuation reserves is determined in accordance with the so-called monetary-economic method. A two-stage procedure is applied for this purpose. By combining historic risk characteristics (volatility, correlation) with the anticipated returns (risk-free interest rate + risk premiums) of the investment categories and based on the foundation-specific investment strategy, the necessary fluctuation reserve is determined which will with sufficient certainty allow a required minimum interest on the tied pension capital. The target value of the fluctuation reserve is expressed as a percentage of the obligations.

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 periodically, or when exceptional events so require, by the Board of Trustees and, if necessary, adjusted and recorded. The target value specified is shown in the notes to the annual financial statements. The aim is to achieve a security level of 99.0% over a period of one year. Changes to the calculation basis are to be explained in the notes to the annual financial statements, taking into account the provisions of Swiss GAAP FER 26.

Appendix 4: Principles for the selection, award of contract, supervision, evaluation and dismissal of external asset managers

1. Principles for selection

The selection of asset managers takes place in a documented, transparent process under competitive conditions for the providers.

Banks and asset managers meeting the requirements pursuant to Art. 48f para. 2 and 3 BVV 2 as well as para. 4 and, if applicable, para. 5 BVV 2 in addition to the following criteria may be considered as external asset managers:

1. Stable organisation and appropriate resources (infrastructure, employees).
2. Intelligibly and transparently demonstrated investment approach and clearly structured processes.

3. Sufficient training and experience of the persons responsible for the mandate.

4. Capability to collaborate faultlessly with the global custodian.

5. Asset management fees in line with the market.

2. **Principles of contract award**

   Contract award takes places by means of a detailed written description of the order and must regulate at least the following points in addition to the standard agreements:

   1. Initial volume
   2. Objective of the mandate
   3. Benchmark (benchmark index)
   4. Risk limitation
   5. Investment level (max. 100%)
   6. Permissible investments
   7. Use of derivative instruments (only on covered basis at all times)
   8. Responsible portfolio manager and deputy
   9. Content and frequency of reports
   10. Liability and compensation for damages of the bank
   11. Costs (exhaustive list)
   12. Third-party services (e.g. retrocessions, rebates, favourable terms, non-cash benefits)
   13. Start (transitional period) and termination (at any time) of the mandate
   14. Collaboration with the global custodian
   15. Special features depending on type of mandate
   16. Loyalty (obligation to comply with Art. 48f-l BVV 2 and the ASIP Charter)
   17. Handling of membership and creditors' rights (including shareholder rights)

3. **Principles of supervision**

   The asset managers are supervised within the framework of investment controlling on an ongoing basis. The information necessary for this purpose is provided by the global custodian and the investment expert. The essential aspects of supervision are:

   1. The return on investment generated in relation to the objectives.
   2. The risk associated with the investment return in relation to the benchmark.
   3. The investment structure in relation to the benchmark.
   4. Changes to the investment structure over the course of time.
   5. Compliance with the investment guidelines.
   6. Compliance with the intended investment policy.
7. Compliance with the agreed investment style.
8. The volume of transactions.
10. Special themes as required.

4. Principles of evaluation

Evaluation of the performance of asset managers

1. takes place primarily on the basis of the return generated and the risks assumed in relation to the objectives (target attainment) and to other comparable mandates (competitor comparison).
2. begins from the first day of mandate award.
3. normally takes place once per quarter on the basis of monthly data.
4. takes place from the aspect of long-term planning, i.e. if no serious violations of the investment guidelines and the objectives have taken place, over a time horizon of three years.
5. takes place in a dialogue with the asset managers (performance meetings take place at least once a year).
6. serves as the basis for issuing 'yellow cards' to asset managers. This caution, i.e. threat or rejection of further increasing the mandate or even of withdrawal of the mandate, is issued if the bank generates returns lower than the objectives over three successive quarters, thus endangering long-term target achievement.
7. Banks which are issued a 'yellow card' are placed on a watch list and supervised particularly intensively (monthly) and requested to attend performance meetings on a frequent basis.
8. The investment results achieved serve as the basis for increasing existing mandates. Primarily those mandates are increased which
   a) most clearly achieve and/or exceed their target in relation to the benchmark and
   b) achieve above-average results compared with competitors.

5. Principles of dismissal

Reduction or even termination of a mandate takes place

1. immediately in the case of serious violations of the investment guidelines.
2. after the first caution, if no improvement of the investment results is discernible within the next two quarters.
3. in the event that fundamental changes of an organisational, employee-related or technical investment nature occur with the asset manager which call continuation of the mandate into question.
Appendix 5: Investment guidelines for investment in securities and real estate

1. **Principles**

   - As a matter of principle, invested assets are invested in liquid, easily negotiable securities which generate investment returns in line with the market. In the process, it is necessary to ensure an appropriate level of diversification (Art. 50 para. 1-3 BVV 2, Art. 51 BVV 2 and Art. 52 BVV 2).
   
   - The investments may not result in any obligation for the Foundation to make supplementary payments (Art. 50 para. 4 BVV 2).
   
   - The investments may not contain any leverage; this does not apply to the cases listed in Art. 53 para. 5 BVV 2.
   
   - The limitations in accordance with Art. 54 BVV 2 (individual debtors), Art. 54a BVV 2 (individual companies) and Art. 54b BVV 2 (individual properties and their collateral value) are to be observed or conclusively explained in the notes to the annual financial statements in accordance with Art. 50 para. 4 BVV, taking into account the principles in Art. 50 paras. 1 - 3 BVV 2.

2. **Benchmark index**

   A transparent market index (benchmark) is to be specified for the purpose of comparison for each investment category. A fund-specific benchmark is calculated with the aid of these indices and a neutral weighting in line with the strategic asset structure. The added value of the 'active' investment policy compared with a purely 'passive,' generally mixed, so-called indexed asset investment can be determined and evaluated on the basis of this composite comparative index.

3. **Liquid assets**

   - Fixed deposits should only be arranged with banks with a state guarantee or a rating of at least A (Standard & Poors) or A2 (Moody's) or of comparable quality. In the event of a downgrading of a counter-party to under the minimum rating, the investment must be liquidated as quickly as possible, at the latest after its expiry.
   
   - Non-interest-bearing assets may only be held for a short period of time for transaction purposes.
   
   - Instruments containing options such as caps, floor or swaptions are not permitted.

4. **Debentures**

4.1. **Debentures CHF (domestic and foreign)**

   - Quality and negotiability: Debenture assets must be invested in listed and easily negotiable government bonds or bonds issued by private companies and banks with a good credit rating (at least BBB- in accordance with Standard & Poors or Baa3 in accordance with Moody's). The credit rating requirements apply to all debentures without exception.
   
   - Investment style: The portfolio can be managed passively in index-similar form, or actively.
   
   - Investment form: The investments are made in individual securities. Collective investments are only purchased in exceptional cases.
• Investments in convertibles and cum-warrant bonds are excluded.

• So-called deposit administration contracts can be concluded in the case of premium insurance policies instead of CHF debentures.

• The combination of liquid investment with appropriate derivative instruments represents a further alternative to a physical bond portfolio (synthetic portfolio).

• Bonds not contained in the benchmark index are only permissible if they are based on claims in accordance with Art. 53 para. 1 lit. b clauses 1 to 8 BVV 2, or in the case of bonds with a term of less than one year which were previously contained in the benchmark index, and were only excluded from the benchmark index due to the short residual term.

4.2. Mortgages

• Investment form: Investments in mortgages take the form of collective investments in accordance with Art. 56 BVV 2. Mortgage loans are an integral part of claims in accordance with BVV 2, provided that they are denominated in CHF, and the mortgages property is located in Switzerland. Otherwise they are regarded as being alternative investments in accordance with BVV 2.

4.3. Euro and global debentures

• Quality: Debenture assets must be invested in listed and easily negotiable government bonds or bonds issued by private companies and banks with a good credit rating (at least BBB in accordance with Standard & Poors or Baa3 in accordance with Moody’s). The credit rating requirements apply to all debentures without exception.

• Negotiability: It is only permissible to invest in listed bonds.

• Investment style: The portfolio can be managed both passively in index-similar form, and actively.

• Currencies: As a matter of principle, all currencies are permitted which are contained in the benchmark index or so-called benchmark universe.

• Currency hedging: This is permissible and can account for a maximum of 100% of exposure to foreign currencies.

• Investment form: Individual investments and collective investments in accordance with Art. 56 BVV 2 are permissible.

• Investments in convertibles and cum-warrant bonds are excluded.

• Bonds not contained in the benchmark index are only permissible if they are based on claims in accordance with Art. 53 para. 1 lit. b clauses 1 to 8 BVV 2, or in the case of bonds with a term of less than one year which were previously contained in the benchmark index, and were only excluded from the benchmark index due to the short residual term.

5. Shares

5.1. Swiss shares

• Quality: Primarily shares of best quality are purchased. Balanced diversification across sectors must be ensured.
• Negotiability: Only securities listed on the stock exchange may be purchased.
• Investment style: The portfolio can be managed both passively in index-similar form, and actively.
• Investment form: Individual and collective investments in accordance with Art. 56 BVV 2 are permissible.

5.2. Foreign shares / emerging markets
• Quality: Primarily shares of best quality are purchased. Balanced diversification across countries and sectors must be ensured.
• Negotiability: Only securities listed on the stock exchange may be purchased.
• Investment style: The portfolio can be managed both passively in index-similar form, and actively.
• Currency hedging: is permissible

\textit{Investment form:}

- Foreign shares: Individual and collective investments in accordance with Art. 56 BVV 2 are permissible.
- Emerging markets: Exclusively collective investments are permissible in accordance with Art. 56 BVV 2.

6. Alternative investments
6.1. Private equity
• Investment aim: The aim of alternative investments is to improve the return/risk characteristics of the portfolio.
• Quality: Appropriate diversification in terms of investment styles, financing stages and vintage years is to be ensured.
• Negotiability: Only investment funds, investment foundations or collective securities listed on the stock exchange may be purchased.
• Investment style: The portfolio is actively managed.
• Currency hedging is permissible and can account for a maximum of 100% of exposure to foreign currencies.
• Investment form: Exclusively collective investments in accordance with Art. 56 BVV 2 are permissible.
• Investments with obligations to make supplementary payments are not permissible in accordance with Art. 53 para. 1 lit. e BVV 2. However, a commitment specified in advance with a capital call within a defined period of time is not regarded as being an obligation to make a supplementary payment.

6.2. Insurance Linked Securities
• The portfolio is to be actively managed.
• Investments in collective investments are permitted.
• An appropriate diversification regarding insurance risk is to be ensured.
• Generally the investments may be made in CHF or in foreign currencies.

6.3. Other alternative investments

• All investments which cannot be allocated to an investment category in accordance with Art. 53 para. 1 lit. a to d BVV 2 are regarded as other alternative investments, in particular claims in accordance with Art. 53 para. 3 (e.g. senior secured loans, collective investments in real estate with a permanent loan-to-value ratio of over 50% of the market value, etc.).
• Claims in accordance with Art. 53 para. 3 BVV 2 are permissible within a broadly diversified debenture mandate, taking into consideration the investment guidelines in appendix 4, even if these claims are classified as an alternative investment from the point of view of BVV 2.

7. Real estate

7.1. Principles

• inVor invests the assets for the purpose of long-term capital investment, both in directly held, sustainably marketable Swiss real estate values and in indirect real estate investments such as equity interests in Swiss and/or foreign real estate companies, real estate investment foundations or real estate funds.
• As a matter of principle, no outside capital is taken out for individual investments.
• In order to minimise the cluster risk, the maximum share of an individual investment should not as a rule exceed 15% of total real estate values.

7.2. Investment rules for direct investments in Switzerland

A. Principles and composition of the real estate portfolio

• The portfolio must consist of recoverable, marketable properties with a sustainable return. The risks must be kept to a minimum. The focus should be primarily on residential property, although a certain proportion of business or service premises per investment unit in an attractive location is accepted.
• The management should be conservative and designed to generate intrinsic value and an average return in line with the market. The property portfolio must be reviewed on an ongoing basis and optimised in the long term in terms of sales, renovation and purchases.
• This target net return should as a rule be at least 1.5% above the reference interest rate published by the Federal Office of Housing and be based on the benchmark KGAST (Konferenz der Geschäftsführer von Anlagestiftungen/Conference of managers of investment foundations) for Swiss real estate investment groups.

B. Investment criteria for individual properties

Investments are to be made on the basis of the following principles:

• Geographical diversification: The investments are to be made in Switzerland.
The quality of the location is decisive; the quality of the property and tenants are to be taken into account.

The investment volume should exceed CHF 5 million in each individual case.

AG Engematt: inVor pension fund for industry owns 100% of the shares of AG Engematt. The latter is managed by the members of the Board of Trustees of AG Engematt, who are also members of the real estate commission.

Joint ownership: Where it is advisable to share the risk due to the size of an investment, commitments on the lines of joint ownership can be entered into or retained, with the jointly owned share being more than half.

7.3. Real estate in other countries

Collective investments in accordance with Art. 56 BVV 2 are permitted, in particular units in listed real estate funds, equity securities in real estate companies, and claims at investment foundations.

Not permitted, or possibly classed as alternative investments, are:
- collective investments in real estate that allow a loan-to-value ratio of more than 50% of the current market value.
- collective investments in real estate that generally use foreign capital (maximum permitted loan-to-value ratio of less than 50%), if they are not regulated.

Currency hedging is permitted up to 100% of the foreign currency exposure, and may be made using forward exchange transactions and currency swaps.

7.4. Investment rules for collective investments

A. Collective investments

Collective investments include in particular:
- Stakes in real estate funds listed on the stock exchange;
- Entitlements with investment foundations;
- Listed equity securities in real estate companies.

B. Requirement criteria for collective investments

The following requirement criteria must be observed when choosing collective investments:
- Quality of management
- Quality and state of maintenance of the properties
- Level of external indebtedness
- Evaluation principles
- Administrative costs
- Geographical diversification
- Diversification of types of use
• Return/risk characteristics
• Correlation with existing investments
• Liquidity of investment undertakings

7.5. Decision-making and responsibilities
• The Board of Trustees decides on the composition of the overall portfolio and/or investments and defines the bandwidth of the real estate commitment.
• The Board of Trustees delegates the responsibility for decision-making with regard to additional purchases and sales as well as planning credits and new build commitment up to CHF 10 million to the real estate commission within the framework of the overall strategy, independently of the particular amount involved.
• The orientation of the Board of Trustees is to be ensured in a suitable manner.
• The real estate commission determines the management company for the real estate commitment.

8. Use of derivative instruments
• As a matter of principle, the Foundation's investments are executed in underlying assets.
• Derivative financial instruments such as forward transactions (futures, forwards, swaps) and options are only used additionally.
• All obligations which can result from implementation must be fully covered at all times either by liquidity (in the case of commitment-enhancing transactions) or by basic investments (in the case of commitment-reducing transactions). Establishment of a leverage effect at the total assets level (= hidden raising of credit) and the short selling of basic investments are strictly forbidden.
• The so-called economic, delta-adjusted commitment is decisive for compliance with the investment guidelines of the Board of Trustees in accordance with appendix 1.
• The counter-party in the case of non-standardised transactions (OTC, covered call options, etc.) must have at least an AA (Standard & Poors) or Aa2 (Moody's) rating.
• The provisions of Art. 56a BVV 2 and the corresponding specialist recommendations of the responsible authorities are to be complied with at all times. The investment commission can further restrict the use of derivative instruments with detailed guidelines at any time but cannot extend their use.
• Short credit default swaps (increase in credit risks) are not permissible.

9. Securities lending
• Pursuant to Art. 53 para. 6 BVV 2 and for the purpose of securities lending, the framework conditions and provisions of collective investment legislation (Art. 55 para. 1 lit a KAG, Art. 76 KKV and Art. 1 ff. KKV-FINMA) are to be complied with.
• Securities lending takes place exclusively on a secured basis and is processed via the appropriate depositary bank. Securities lending within the scope of collective investments used is also permissible as a matter of principle.

• It is necessary to ensure that the shares of listed Swiss stock corporations are excluded from securities lending during the relevant period of time and that the exercising of shareholder rights in accordance with clause 6 of the investment regulations is not impaired as a result of securities lending.

10. Repurchase agreements

Repurchase agreements are not permitted.

11. Asset management mandates

The above-mentioned provisions and guidelines can be specified or restricted in further detail within the framework of asset management mandates.

Appendix 6: Investments in the employer

Investments in the employer are not permissible. Securities purchased by external asset managers during the course of their asset management activity are excluded from this ruling.

To the extent that payment transactions are processed by the employer (payment of contributions, premium payments, collection procedures), short-term credit balances which are the equivalent of a maximum of two monthly contributions are permissible.

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

Appendix 7: Costs of asset management (Art. 48a BVV 2 para. 1)

The representation of asset management costs in accordance with Art. 48a BVV 2 takes place in accordance with directive OAK BV W-02/2013 'Proof of asset management costs'.