PensFree

Investment Regulations

Valid with effect from 1 January 2025

VESTED BENEFITS FOUNDATION

TABLE OF CONTENTS

A. General 3
B. Basic principles of the management of pension assets 3
C. Organisation 6
D. Duties and competencies 8
E. Final provisions 10

A. GENERAL

1. Purpose

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

B. BASIC PRINCIPLES OF THE MANAGEMENT OF PENSION ASSETS

2. Basic principles of asset management

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

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

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

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

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

Diversification
The investment of the pension assets must adhere to the basic principle of an appropriate spread of risk.

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

2.4. The Foundation may leave a basic sum of two annual fees in the account to secure liquidity for the fees of the bank and the Foundation. The Foundation and the custodian bank are further authorised to independently carry out disposals if there is insufficient liquidity in the account to pay these fees.

3. Investment strategies for account and securities-based savings

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

3.1.1 **Account-based investments**
The banking partner must be subject to the Federal Financial Market Supervisory Authority (FINMA).

3.1.2 **Individual security investments without an asset management mandate**
- CHF-denominated bonds covered by a direct or indirect guarantee of the Swiss Confederation or cantons
- Swiss debentures, medium-term notes and fixed deposits in CHF from banks supervised by FINMA

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

3.1.4 **Investments within the framework of an asset management mandate**
Individual portfolios compiled according to requirements are offered by the Foundation within the framework of an asset management mandate with one of the FINMA regulated banks, investment firms, fund management companies or collective capital investment managers.

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

4. Permitted investments and limits

4.1. The pension assets can be invested as follows:

a. Cash

b. Claims which are expressed as a fixed sum of money:
1. Postal account and bank deposits
2. Money market investments with a duration of up to 12 months
3. Medium-term notes
4. Bonds, including those with convertible or option rights
5. Secured bonds
6. Swiss mortgage deeds
7. Acknowledgements of debt from corporations established under Swiss public law
8. Surrender values arising from collective insurance contracts
9. In the case of investments which are orientated towards a standard, broadly diversified bond index in common use: the claims included in the index

c. Solely and jointly owned real estate, including buildings for which a building permit has been issued and building land.

d. 1. Shareholdings in companies such as equities and participation certificates, similar securities such as dividend rights certificates and cooperative share certificate, shareholdings in companies and similar securities are permitted provided that they are listed on a stock exchange or are traded on another regulated market open to the public
2. Investments in infrastructures
3. Investments in non-listed receivables from borrowers (private debt) or in shareholdings in non-listed companies (private debt), which:
    1. have their registered office in Switzerland, and
    2. operate in Switzerland

e. Alternative investments entailing no obligation to furnish additional cover such as hedge funds, private equity, insurance-linked securities and commodities.

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

a. 50% for Swiss mortgage deeds on real estate
b. 50% for equity investments; maximum of 5% per company
c. 30% for real estate investments; maximum of 1/3 in foreign real estate and maximum of 5% per property
d. 30% for foreign currencies without currency hedging
e. 15% for alternative investments; only collective investments entailing no obligation to furnish additional cover
f. 10% for investments in infrastructure
g. 5% for investments in non-listed receivables (private debt) or investments in non-listed companies (private equity)

4.3. A 10% limit per debtor applies for claims under Art. 4.1 para. b, incl. proprietary mortgages. This upper limit does not apply to all investment options mentioned in Art. 3.1.1 and 3.1.2.

4.4. There is no statutory limit on the individual debtor level for investments in accordance with Art. 3.1.2.

4.5. Claims not listed in Art. 4.1 para. b are deemed to be alternative investments and have to be implemented with collective investments.

4.6. Investments may only be made in assets that can be cleared within three months from the date of the sale order. An extension of this period requires prior approval in accordance with Art. 6.2.

5. Specifications for the permitted investments

5.1. The permitted investments under Art. 4.1 a–d can be effected within the framework of an asset management mandate via direct investments, collective investments or derivative financial instruments in accordance with Art. 56 and 56a BVV 2/OPP 2.

5.2. Alternative investments may only be made via diversified collective investments, diversified certificates or diversified structured products. This rule does not apply to Art. 5.3–5.4. Digital assets are classified as alternative investments.

5.3. Physical and non-diversified collective investments in precious metals, commodities or digital assets are limited to 5% per investment.

5.4. Individual investments in subordinate and perpetual bonds are assigned to the alternative investments category of investments and are limited to 5% of the pension assets.

6. Expansion of the permitted investment

6.1. If the security and risk diversification required by Art. 50 BVV 2/OPP 2 are ensured and the insured member has the necessary risk capacity and risk tolerance, he/she may be offered an expanded range of investment options.

6.2. An expansion of the range of investment options in accordance with Art. 6.1 must be approved by the Foundation's Management Board before it is implemented.

6.3. The Foundation envisages the following expansion options in respect of the category-related limits:

a. A maximum of 100% of the available pension assets may be invested in foreign currencies without currency hedging.
b. A maximum of 100% of the available pension assets may be invested in Swiss mortgage deeds on real estate.
c. A maximum of 100% of the available pension assets may be invested in equities or similar securities and shareholdings.
d. A maximum of 40% of the available pension assets may be invested in real estate. A maximum 1/3 of this percentage may be invested in foreign real estate.

e. A maximum of 40% of the available pension assets may be invested in alternative investments, including investments in accordance with Art. 4.2 e-g.

6.4. In terms of alternative investments, non-diversified collective investments are permitted provided that this takes place within the framework of an asset management mandate in accordance with Art. 3.1.4 or the collective investments are subject to supervision by FINMA or authorised for sale in Switzerland. A maximum of 5% of the pension assets may be invested per investment strategy and investment.

C. ORGANISATION

7. Insured members' choice of strategy and transfer of securities

7.1. Each member submits an application for his/her investment strategy in accordance with Art. 11 para. c using the Foundation's strategy sheet.

7.2. The Foundation decides based on the personal risk capacity and risk tolerance of each individual member whether the insured member requested choice of strategy can be implemented to the desired extent.

7.3. If securities cannot be sold immediately on leaving the Foundation (lump-sum payment reason or insured event), the Foundation shall be entitled to transfer these securities, as a component of the departure benefits, to the private custody account of the insured member or his/her survivors at their current market value.

8. Changes in strategy and distributions

8.1. Switching to the account solution is permitted at any time and will be carried out as quickly as possible depending upon the investment category, no later than 90 days after receipt of the corresponding order.

8.2. With the consent of the Foundation, a change in strategy is permitted at any time within the framework of the investment strategies offered pursuant to Art. 3 of these Investment Regulations. At the same time, the insured member's personal risk capacity and risk tolerance must be taken into account. The requested change of strategy will be carried out as quickly as possible depending upon the investment category, no later than 90 days after receipt of the corresponding order.

8.3. All changes in strategy in accordance with Art. 8.1 and Art. 8.2 must be notified to the Foundation in writing.

8.4. The insured member must report all changes of strategy involving an increase in the weighting of equities to the Foundation in writing using a newly signed strategy sheet.

8.5. In the event of any change of strategy which involves expanding the range of investment options pursuant to Art. 6.1, the insured member must sign a new strategy sheet and/or investment profile.

8.6. In the absence of any written instructions to the contrary from the insured member, the accredited bank or the Foundation will decide whether any distributions from collective investments (investment foundations or investment funds) or refunds of anticipatory and withholding taxes are to be reinvested.

9. Shareholders' voting rights

9.1. Shareholders' voting rights will be exercised on an active basis if the value of the investment is at risk of lasting impairment.

9.2. In the case of imminent routine transactions, the shareholders' voting rights will be exercised in line with the wishes of the Board of Directors.

9.3. In situations (in particular takeovers, mergers, important changes of personnel on the Board of Directors or Management Board, etc.) which could have a lasting impact on insured members' interests, the Board of Trustees will decide how the voting rights are to be exercised and will issue the necessary instructions.

9.4. Insured members whose pension assets are managed via an asset management mandate have the option of exercising the shareholders' rights on an active basis on behalf of the Foundation and within the scope of their shareholdings. This must be possible from an organisational aspect and requires an application to be submitted to the Foundation.

10. Basic accounting principles

10.1. The assets are recorded as follows:

Liquid assets, fixed deposits, claims	
– in CHF	nominal value
– in foreign currency	nominal value
Mortgage-backed loans	nominal value
Bonds	
– in CHF	market value
– in foreign currency	market value
Collective investments	market value
Warrant bonds	market value
Equities and other shareholdings	market value
Direct investments in property	earnings value

10.2. Assets and liabilities are valued in accordance with the Swiss GAAP FER 26 accounting standards.

D. DUTIES AND COMPETENCIES

11. Duties, rights and obligations

a. The Board of Trustees

- defines the basic principles governing investments.
- accredits the banking partners and asset managers offered. The banking partners and asset managers must be subject to FINMA supervision.
- periodically reviews the investment strategies available to the insured members.
- verifies compliance with the investment guidelines pursuant to BVV 2/OPP 2 and the Investment Regulations at half-yearly intervals (30.6. and 31.12.).
- is responsible for the conclusive disclosure in the annual report of any extensions of investments under Art. 50 para. 4 BVV 2/OPP 2.
- annually determines the interest to be paid for personal mortgages by the insured member. In this context, the Board of Trustees is guided by the standard market interest rates of the cantonal banks and major banks for variable mortgages.
- decides on the exercise of shareholders' voting rights.
- has the right to exert influence over the insured members' investment strategy in special cases.

b. The Management Board

- issues asset management mandates to the selected banking partners or asset managers.
- verifies the investment strategy selected by the insured member or makes a counter proposal.
- verifies compliance with the investment guidelines on a half-yearly basis (30 June and 31 December) in accordance with BVV 2/OPP 2 and the Investment Regulations.
- submits a six-monthly report on the compliance with the Investment Regulations to the Board of Trustees.
- conducts a periodic review of the investment strategies or as and when required in extraordinary circumstances.

c. The insured member

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

d. The banking partner

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

e. The asset manager

- informs the insured member of the opportunities and risks of the investment strategies and the costs.
- signs the strategy sheet and/or investment profile together with the insured member.
- only invests if it is in possession of the strategy sheet and/or investment profile signed and, consequently, approved by the Foundation.
- is responsible for the implementation of the defined investment strategy.
- is responsible for the compliance with the investment guidelines in accordance with BVV 2/OPP 2 and/or the Investment Regulations.
- submits half-yearly reports to the Management of the Foundation on the compliance with the Investment Guidelines.
- sends annual confirmation to the Management of the adherence to integrity and loyalty in asset management.

12. Integrity and loyalty in asset management

Persons or institutions entrusted with the Foundation's asset management must fulfil the requirements of loyalty in asset management in accordance with Art. 51b BVG/LPP and Art. 48 f-l BVV 2/OPP 2 and must comply with all other pertinent rules of conduct.

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

E. FINAL PROVISIONS

13. Final provisions and effective date

13.1. The Investment Regulations constitute an integral part of the Pension Fund Regulations.

13.2. These Regulations will also be translated into other languages. For all cases the German version is legally binding.

13.3. These Investment Regulations have been approved by the Board of Trustees and come into force on 1 January 2025.

Schwyz, 7 November 2024

Board of Trustees of the
PensFree Vested Benefits Foundation