



die ökologisch-ethische Pensionskasse

## **Nest Collective Foundation**

### **Investment Policy**

Resolution adopted by the Board of Trustees on 16 June 2022, effective as of 1 July 2022.

<b>1</b>	<b>Principles</b>	<b>1</b>
<b>2</b>	<b>General guidelines</b>	<b>2</b>
<b>3</b>	<b>Responsibilities and competences</b>	<b>3</b>
3.1	Board of Trustees (BoT)	3
3.2	Investment committee (IC)	4
3.3	Head of the investment division	5
3.4	Head of the real estate division	6
3.5	External investment controller	7
3.6	Global custodian	7
3.7	Asset managers (external and/or internal)	7
<b>4</b>	<b>Monitoring and reporting</b>	<b>7</b>
<b>5</b>	<b>Governance</b>	<b>9</b>
5.1	General points	9
5.2	Integrity and loyalty	9
5.3	Asset managers	9
5.4	Prevention of conflicts of interest in the conclusion of legal transactions	9
5.5	Proprietary trading	10
5.6	Compensation and surrender of pecuniary advantages	10
5.7	Disclosure requirements	11
5.8	Sanctions	11
<b>6</b>	<b>Exercise of shareholder rights</b>	<b>11</b>
<b>7</b>	<b>Final provisions</b>	<b>12</b>

## **Appendix**

Appendix 1	Strategic asset structure
Appendix 2	Valuation principles
Appendix 3	Value fluctuation reserves
Appendix 4	Investment guidelines
Appendix 5	Asset management costs
Appendix 6	Swiss Financial Market Infrastructure Act (FinfraG/FinfraV)

# 1 Principles

**1.1** In accordance with the legal requirements (Art. 51a para. 2 letters m and n BVG [Swiss Federal Law on Occupational Retirement, Survivors' and Disability Benefit Plans], Art. 49a paras. 1 and 2 BVV 2 [Ordinance 2 to the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Benefit Plans]), this Investment Policy set out the objectives, principles, guidelines, responsibilities and competences that shall be complied with in the management of the assets of the Nest Collective Foundation (hereinafter referred to as the "Foundation"). Key competences and responsibilities are governed by the internal rules of procedure.

**1.2** This Investment Policy shall apply to the governing bodies, committees and individuals specified therein, to all persons at the Foundation who are entrusted with the management of assets and to the external service providers retained under asset management mandates.

**1.3** The management of the assets shall focus exclusively on the interests of the beneficiaries, with sustainability constituting an integral part of the investment process.

**1.4** Asset management shall ensure that the financial stability of the Foundation is sustained in the long term. In the event of underfunding, the supreme body shall cooperate with the occupational benefits expert to examine measures within the meaning of Art. 65d BVG aimed at restoring the financial equilibrium.

**1.5** Apart from economic criteria, investments shall also be selected on the basis of ecological and social criteria. They shall contribute to the overall structural change towards a sustainable economy and society. Sustainability principles and their implementation are set out in the Foundation's sustainability concept. Investments with specific links in the following areas are prohibited (list is not exhaustive):

- Nuclear energy
- Coal
- Genetic engineering in agriculture
- Controversial genetic engineering in medicine
- Arms
- Support of oppressive regimes
- Money laundering
- Corruption
- Violation of fundamental labour and human rights
- Child labour and forced labour
- Inadequate compensation of indigenous people / biopiracy
- Alcohol, tobacco, pornography, gambling

Should the sustainable investment principles be amended, the assembly of delegates shall, if possible, be given the opportunity to express its opinion in a consultative vote.

**1.6** Pursuant to Art. 50 BVV 2, the assets shall be managed such that

- the Foundation is in a position to pay out at any time and on schedule the benefits it guarantees and will guarantee in the future,
- the Foundation's risk-taking capacity, i.e., its financial situation, as well as the structure and stability of the number of beneficiaries, is taken into account at all times,
- the total return (current income plus changes in value) is maximised in line with the risk-taking capacity and sustainability profile,
- all types of risks (including market risks, liquidity risks, counterparty risks, operational risks, sustainability risks) are taken into account,
- the principle of diversification of risks is adhered all times, and
- the expected return of the Foundation is in line with market return.

## **2 General guidelines**

**2.1** All statutory investment regulations and provisions, specifically the provisions of the BVG and BVV2, the directives and recommendations of the competent authorities and, where applicable, the trading rules deriving from FinfraG (Swiss Financial Market Infrastructure Act) / FinfraV (Swiss Financial Market Infrastructure Ordinance) shall be complied with at all times. Should an extension of investment options pursuant to Art. 50 para. 4 BVV 2 be utilised, the requisite justifications shall be provided.

**2.2** The Foundation's Board of Trustees hereby issues the Investment Policy, which are tailored to its specific needs and particularly to its risk-taking capacity, within the framework of the applicable statutory provisions.

**2.3** The determination of this strategic asset structure shall take account of the Foundation's risk-taking capacity as well as the long-term risk and return profiles of the various asset classes and their diversifying effects.

**2.4** The strategic asset structure shall be reviewed on a regular basis and in the case of extraordinary events, and shall be adjusted if necessary. In this context, medium to long-term consistency between the investment of assets and the Foundation's obligations shall be ensured (Art. 51a para. 2 letter n BVG). The current strategic asset structure is set out in Appendix 1. The relevant guidelines and limits generally refer to market values (cf. Appendix 2) including recognition of the economic exposure via the use of derivatives (cf. Appendix 4).

### 3 Responsibilities and competences

The organisational management structure of the Foundation's asset management comprises the following seven levels:

- a. Board of Trustees
- b. Investment committee
- c. Head of investments
- d. Head of real estate
- e. Investment controller
- f. Global custodian
- g. Asset managers

#### 3.1 Board of Trustees (BoT)

The Board of Trustees

- a. assumes overall responsibility for the management of the assets within the framework of Art. 51a BVG and performs the non-transferable and inalienable responsibilities pursuant to Art. 51a para. 2 BVG.
- b. performs asset and liability analysis to define the target return and the strategic asset allocation including benchmark and bandwidths. In this context, the Board shall take the Foundation's risk-taking capacity and risk tolerance into account as well as the expected risks and returns associated with the individual asset classes and their diversifying effect.
- c. decides on the volume, formation and release of value fluctuation reserves depending on the strategic asset allocation and the investment performance.
- d. defines the key parameters for sustainability in the sustainability concept.
- e. appoints the asset-liability management consultant and the external institutions in charge of investment monitoring, i.e., the investment controller and the global custodian, on suggestion of the investment committee.
- f. adopts the Investment Policy changes proposed by the investment committee.
- g. appoints the members of the investment committee and of all sub-committees as well as the chair of the investment committee. Internal staff shall not receive any compensation for their participation in committees or sub-committees. Members of the Board of Trustees who become members of a committee or sub-committee are deemed to be external staff.
- h. defines the compensation models for the members of the investment committee and its sub-committees.
- i. makes decisions regarding investments in the affiliated employers' companies.
- j. decides on the participation of the Foundation in the establishment of legal entities and/or significant participations of the Foundation in legal entities which constitute related parties ("strategic participations").
- k. decides on the approval of securities lending and repurchase agreements.
- l. governs and controls the exercise and performance of shareholder rights (Art. 49a para. 2 letter b BVV2 and Art. 22 VegüV<sup>1</sup>) and decides on the Foundation's voting and election practice in accordance with para. 6.
- m. monitors the costs associated with the investment activities on the basis of reports provided by the head of investments, the investment controller and the global custodian.

---

<sup>1</sup> Swiss Ordinance against Excessive Compensation in Listed Stock Companies of 20 November 2013 (VegüV).

- n. ensures that transparent regulations are agreed with the asset managers in regard of third-party benefits (e.g., retrocessions, rebates, benefits, non-monetary benefits, etc.).
- o. monitors compliance with the requirements pertaining to conflicts of interest (Art. 48h BVV 2), the disclosure of pecuniary advantages (Art. 48k BVV 2) and the implementation of the disclosure requirements pursuant to BVV 2, Art. 48l.
- p. meets its obligations under Art. 113 para. 1 FinfraV in connection with the use of derivatives subject to FinfraG/FinfraV by setting out the respective rules and obligations in these Investment Policy.

## **3.2** Investment committee (IC)

### **3.2.1 Main responsibilities and competences**

The investment committee

- a. is responsible for the implementation and control of the strategic asset allocation in accordance with the Regulations, including compliance with the defined bandwidths and the investment guidelines, the tactical asset allocation, the rebalancing process and the choice of asset managers, as well as the achievement of the sustainability objectives for the investments pursuant to the sustainability concept.
- b. decides on the asset managers and on the advisors assisting in the selection of the asset managers and the investment consultants the Foundation will work with and informs the Board of Trustees. The committee governs the asset managers' activities by means of clearly defined investment management mandates and specific investment guidelines.
- c. may delegate tasks and decisions to sub-committees to address the requirements of specific investment groups or themes. As a matter of principle, sub-committees appointed by the investment committee are sub-bodies of the investment committee that prepare or perform business transactions and report to the investment committee on all of their business transactions by means of detailed minutes and/or verbal reports. Decision-making powers and competences are limited to the specific delegated business transactions and are based on competences defined in writing.
- d. proposes new potential members for the investment committee and the sub-committees, including their chair, to the Board of Trustees as required.
- e. prepares all investment-relevant resolutions for the Board of Trustees (incl. decision-making basis for the definition on the long-term asset allocation).
- f. proposes candidates for the positions of asset-liability management advisor, investment controller and global custodian to the Board of Trustees.
- g. reviews the Investment Policy regularly to determine any necessary modifications, adjustments or additions and submits a request for any amendments to the Board of Trustees.
- h. issues the mandate guidelines for the management of the direct real estate investments and approves direct property purchases and sales, investments in property portfolios and land register transactions as well as the annual real estate budget (incl. refurbishments) and selects the external real estate appraiser at the request of the head of investments.
- i. monitors the activities of the asset managers and addresses the recommendations of the investment controller on a regular basis.
- j. monitors the liquidity and investment plan prepared by the head of investments.
- k. issues mortgage regulations and makes decisions on the reference values for the granting of mortgages. Mortgages of CHF 2 million or above for residential properties and CHF 1 million or above for commercial properties shall be granted by the investment committee at the request of the investment division. Extensions of syndicated loans under the aegis of the ABS are exempt from this rule.

- l. reports any pecuniary advantages (BVV 2, Article 48I, para. 2) it enjoys, requires all individuals and institutions entrusted with investment and management responsibilities to submit an annual written declaration of personal pecuniary advantages and reports to the Board of Trustees. Ensures compliance with the trading rules pursuant to FinfraG/FinfraV in connection with the use of the subordinated derivatives and submits regular reports on the subject to the Board of Trustees. The committee verifies on a regular basis that the threshold pursuant to Art. 88 para. 2 FinfraV is not exceeded (cf. Appendix 6).

### **3.2.2 Constitution/meetings/decision-making**

The investment committee

- a. is composed of at least four members who possess the appropriate professional skills. The head of investment and the managing director attend the meetings of the investment committee in an advisory role. Members of the investment committee may not simultaneously serve the Foundation as asset managers.
- b. meets at least six times a year and may be convened at any time by the chair, by two members of the investment committee or by the Board of Trustees.
- c. holds a quorum when the majority of its members are present.
- d. takes its decisions by a simple majority of the votes cast, with abstentions counting as votes cast. In the event of a tie, the chair shall have the casting vote. Decisions by circular must be unanimous.

### **3.3**

Head of investments

The head of investments

- a. is responsible for the timely and correct implementation of the allocation of funds to the individual asset classes as decided by the investment committee.
- b. implements the resolutions of the investment committee.
- c. takes minutes, organises, coordinates and prepares meetings and documents for the investment committee.
- d. is responsible for the allocation of funds to the individual asset management mandates, commitment planning, preparation of the investment budget, liquidity planning, liquidity management and liquidity control.
- e. works together with the head of real estate to submit applications to the investment committee regarding the purchase and sale of real estate and regarding land transactions.
- f. works together with the head of real estate to submit the application for the annual real estate budget (including refurbishments) to the investment committee and suggests an external real estate appraiser.
- g. approves the insurance coverage of the direct real estate investments as well as extraordinary expenses outside the real estate budget up to CHF 1 million p.a. for immediate measures with subsequent notification of the investment committee, and approves tenancy agreements with annual rents of CHF 250,000 or above at the request of the head of real estate .
- h. monitors the activities of the head of real estate, including the choice of external service providers.
- i. monitors and ensures that investment activities comply with the respective requirements and provisions under the Regulations and the law.
- j. acts as contact for banks and asset managers and conducts the asset manager/mandate selection process defined by the investment committee.
- k. negotiates contracts with external mandate holders, submits them to the chair of the investment committee for signature and informs the investment committee about the negotiated contracts,

in particular in regard of the respective investment guidelines. The head of investments shall inform the Board of Trustees of any amendments of the contracts with the investment controller and global custodian.

- l. is responsible for the administrative implementation of the provisions under the law and the Regulations pertaining to the exercise of the Foundation's shareholder rights in accordance with para. 6.
- m. handles the investment accounting, investment reporting and controlling documents.
- n. can be awarded with a mandate for managing mortgages.
- o. makes joint decisions with the managing director in respect of the granting of mortgages of up to CHF 2 million for residential properties and up to CHF 1 million for commercial properties as well as on extensions of syndicated loans under the aegis of the ABS, and submits applications to the investment committee for any mortgages exceeding these volumes.
- p. reviews and implements the recommendations of the external advisor appointed by the investment committee in the area of direct private equity investments of up to CHF 500,000 per investment
- q. .is responsible for the administrative and operational implementation of the provisions under the law and the Regulations pertaining to compliance with the trading rules pursuant to FinfraG/FinfraV (see Appendix 6) and submits regular reports thereon to the investment committee.

### 3.4

#### Head of real estate

##### The head of real estate

- a. is responsible for compliance with the mandate investment guidelines defined by the investment committee and implements the decisions of the investment committee.
- b. submits applications to the head of investments regarding the purchase and sale of real estate, additional investments in the actual real estate portfolio and land transactions.
- c. submits applications to the head of investments regarding the insurance coverage of the direct real estate investments, extraordinary expenses outside the real estate budget of up to CHF 1 million p.a. for immediate measures and tenancy agreements with annual rents of CHF 250,000 or above.
- d. decides on the expenses within the approved budget.
- e. develops and implements property strategies.
- f. chooses the external service providers (excluding real estate appraisers) in accordance with a structured process defined by the investment committee and negotiates their contracts.
- g. manages and monitors the external service providers.
- h. monitors the rental and real estate investment market, identifies prospective property acquisitions and carries out due diligence.
- i. assists the investment division in finalising the direct real estate investment component for the assembly of delegates and for the preparation of meetings of the Board of Trustees and the investment committee.
- j. is supported by the head of investments in important contractual negotiations regarding the purchase and/or sale of real estate portfolios, real estate, development properties (value including possible development) and project developments and is authorised to represent the Foundation in any land registry or real estate transactions. The head of real estate may also delegate this responsibility to his or her staff. The following legal transactions require an additional resolution by the investment committee: The purchase and/or sale of land, the encumbrance of land with mortgages as well as land assignments which comprise more than 20 percent of the surface area.



### **3.5** External investment controller

The responsibilities of the external investment controller are governed by a written mandate agreement.

The external investment controller

- a. may neither act as asset manager nor as custodian.
- b. assists the Board of Trustees and the investment committee in monitoring the implementation of the strategic asset allocation incl. monitoring compliance with the strategic bandwidths, the legal requirements and the supervision of the asset managers.
- c. serves as a point of contact for the Board of Trustees and the investment committee with regard to investment monitoring.

### **3.6** Global custodian

The global custodian is specifically responsible for

- a. the custody of the securities.
- b. the handling of all securities transactions, coupon settlements, corporate actions.
- c. the recovery of withholding taxes and the maintenance of the revenue register (stamp duties).
- d. ensuring correct business transactions between the global custodian and the investment division as well as the external service providers mandated by the Foundation.
- e. the handling of the entire securities administration in compliance with all deadlines.
- f. the compilation and preparation of all information required for the presentation of the investment results (performance reporting) for the attention of the investment division and the investment controller.
- g. the management of securities accounting procedures that meet all audit requirements.

### **3.7** Asset managers (external and/or internal)

- a. Asset management shall be entrusted exclusively to individuals and institutions that meet the requirements of Art. 48f para. 2 BVV2 (including Art. 48h–I BVV2) and Art. 48f para. 4. Moreover, the Foundation must be financially independent of the asset managers.
- b. Asset managers shall be selected with all due care and due transparency in accordance with a systematic asset manager/mandate selection process defined by the investment committee. The selection process shall proceed under competitive conditions and includes, among other factors, comparisons of prospective providers' experience (both individuals and companies), performance, risk, costs, processes, sustainability, transparency and governance. The key considerations in the selection process shall be recorded for each case.
- c. The responsibilities of the external asset managers are governed by a written management agreement.

## **4 Monitoring and reporting**

- a. The investments and their management shall be monitored on an ongoing basis. Reports on the various areas monitored shall be submitted at regular intervals and at the appropriate level to ensure that the responsible bodies have access to relevant information.
- b. Reporting shall ensure that the individual authority levels obtain information in a manner that allows them to exercise the management responsibilities assigned to them. In the case of extraordinary events, the investment committee or the head of investment shall notify the Board of Trustees without delay.

c. The following information concept applies within the investment organisation:

Frequency	Author	Recipient	Subject
Monthly	Head of the investment division (custody report)	Investment committee	Performance compared to the benchmark
	Head of the investment division	Board of Trustees	Overall performance Performance and risks compared to the benchmark Verification of compliance with the bandwidths Performance attribution Asset managers' oversight status
Every quarter	Asset manager	Head of investments	Performance contribution Report on changes in debtor rating
	Investment controller	Board of Trustees Investment committee	Compliance with Investment Policy Evaluation of investment activities Evaluation of performance and risks incurred Performance attribution Recommended action
	Head of investment (on behalf of the investment committee)	Board of Trustees	Compliance with guidelines Report on investment activities Performance report
	Head real estate	Head of investment	Report on (investment) activities
Annually	Head of real estate	Board of Trustees Investment committee	Total return, net return and gains yield compared to the benchmark Percentages of residential, commercial and mixed Trends in rent default, vacancy and debt financing ratios
	Investment committee/head of investment	Board of Trustees	Disclosure of pecuniary advantages and retrocessions Compliance with trading rules pursuant to FinfraG/FinfraV
	Head of investment	Board of Trustees	Report on asset management costs
	Head of investment (on behalf of the Board of Trustees)	Beneficiaries Board of Trustees and beneficiaries	Investment activities and investment performance in the past year Foundation's voting and election practice at annual general meetings
After meeting	Investment committee	Board of Trustees	Minutes
Where necessary	Head of the investment division	Investment committee	Activity report

## **5 Governance**

### **5.1 General points**

The Foundation shall take appropriate organisational measures to implement the following governance provisions (Art. 49a para. 2 letter c BVV 2) and shall ensure an appropriate internal control system (see Art. 52c para. 1 letter c BVG).

### **5.2 Integrity and loyalty**

All individuals involved in the Foundation's asset management shall be of good repute and guarantee impeccable business conduct (Art. 51b para. 1 BVG). They are subject to a strict duty of confidentiality.

They are furthermore subject to an obligation to exercise due fiduciary care and shall safeguard the interests of the Foundation's members in the performance of their duties. In this sense, the investment of assets shall exclusively serve the interests of the Foundation. To this end, they shall ensure that no conflicts of interest arise due to their personal circumstances or business relationships (Art. 51b para. 2 BVG).

### **5.3 Asset managers**

The term "asset manager" as used in these Investment Policy refers to internal as well as external asset managers pursuant to Art. 48f para. 4 BVV 2, or financial service providers pursuant to Art. 2 FINIG (Swiss Financial Institutions Act).

The individuals entrusted with asset management responsibilities shall comply with the provisions of Art. 51b para. 2 BVG and Art. 48f-I BVV 2 "Integrity and loyalty" as well as the "ASIP Charta und Fachrichtlinien" or an equivalent set of rules.

Pursuant to Art. 48f para. 4 letters a to g BVV 2, external Swiss asset managers must be either registered employee benefits institutions according to Art. 48 BVG, investment foundations according to Art. 53g BVG, insurance institutions under public law according to Art. 67 para. 1 BVG, banks according to the Swiss Banking Act, investment firms according to Art. 41 Finance Act, fund management companies according to Art. 32 Finance Act and asset management companies of collective investments according to Art. 24 Financial Institutions Act, or insurance companies according to the Swiss Insurance Supervision Act.

External foreign asset management companies must be subject to a foreign supervisory authority (Art. 48f para. 4 letter h BVV 2). Financial products for direct investment (without asset management mandate) are exempt from this requirement. Investments in such products may not be made unless there is no alternative regulated product. Irrespective of the country of domicile and the respective supervisory authority, such asset management companies shall undertake, by contract, to comply with the integrity and loyalty regulations pursuant to Art. 48f-I BVV 2.

### **5.4 Prevention of conflicts of interest in the conclusion of legal transactions**

Legal transactions concluded by the Foundation shall be in line with market conditions (Art. 51c para. 1 BVG). Contracts relating to the management of assets shall have the option of dissolution within five years of conclusion with no disadvantages arising for the employee benefits institution (Art. 48h para. 2 BVV 2).

External individuals entrusted with management or asset management responsibilities, or beneficial owners of companies entrusted with such responsibility, may not be represented on the institution's supreme body (Art. 48h para. 1 BVV 2).

Where transactions are conducted with related parties, competing offers shall be requested for recurring expenses of CHF 20,000 or above and for one-off expenses of CHF 60,000 or above. The award process shall be transparent and must be substantiated in writing (Art. 48i para. 1 BVV 2). Related parties include members of the Foundation's governing bodies, such as the Board of Trustees and the investment committee, other natural or legal entities entrusted with management or asset management responsibilities as well as the affiliated companies. Furthermore, parties are deemed to be related if their relationship with the aforementioned natural or legal entities is one of the following: spouse, registered partner, civil partner, relatives up to the second degree and legal entities in which a beneficial interest is held.

## **5.5** Proprietary trading

Individuals and institutions entrusted with asset management responsibilities shall act in the interests of the Foundation and are specifically prohibited from:

- a. exploiting their knowledge of orders placed by the institution for the prior, parallel or directly subsequent execution of concurrent proprietary transactions (front/parallel/after running) (Art. 48j letter a BVV 2).
- b. trading in specific securities or investments while the institution is trading in these securities or investments, and insofar as the institution may suffer a disadvantage as a result; participation in such transactions in another form is deemed equivalent to trading (Art. 48j letter b BVV 2).
- c. reallocating portfolios held by the institution in the absence of any economic reason that is in the institution's interest (Art. 48j letter c BVV 2).

## **5.6** Compensation and surrender of pecuniary advantages

Compensation for individuals and institutions entrusted with the management of the Foundation's assets must be clearly definable and conclusively stipulated in a written agreement (Art. 48k para. 1 BVV 2).

Any pecuniary advantages which such individuals and institutions have received in connection with the performance of their responsibilities on behalf of the Foundation shall be surrendered in full to the Foundation (Art. 48k para. 1 BVV 2 as well as Art. 321b para. 1 and Art. 400 para. 1 CO), i.e., all individuals and institutions involved in asset management are expressly prohibited from accepting any form of retrocession, kickback, rebate, gratuity or similar.

Where external individuals and institutions are commissioned with the brokerage of legal transactions, they must provide information on the nature and origin of all compensation they receive for their brokerage activities upon first contact with the client. The method of compensation shall be stipulated in a written agreement which shall be disclosed to both the Foundation and the employer as a matter of principle. The payment and receipt of additional compensation based on volume or growth are prohibited (Art. 48k para. 2 BVV 2).

Individuals and institutions entrusted with management, administration or asset management responsibilities on behalf of the Foundation shall submit an annual written declaration to the supreme body stating whether and which pecuniary advantages (which have not been stipulated by contract as

compensation in accordance with this paragraph) they receive, or shall declare that they have surrendered all pecuniary advantages in accordance with Art. 48k BVV 2 to the Foundation (48l para. 2 BVV 2).

#### **5.7** Disclosure requirements

Individuals and institutions entrusted with asset management responsibilities shall disclose their interests to the supreme body on an annual basis. This specifically includes beneficial ownership of companies that are in a business relationship with the institution. In the case of the supreme body, this disclosure shall be made to the auditors (Art. 48l para. 1 BVV 2).

Legal transactions between the Foundation and members of the supreme body, affiliated employers, natural or legal entities entrusted with management or asset management responsibilities, as well as legal transactions between the Foundation and natural or legal entities closely related to the aforementioned parties, shall be disclosed to the auditors during the annual audit of the annual accounts (Art. 51c para. 2 BVG).

#### **5.8** Sanctions

In the event of improper pecuniary advantages, the Foundation shall be obliged to immediately reclaim the monetary value that has been wrongfully received. If necessary, the Foundation will impose appropriate sanctions, which may in individual cases go as far as termination of employment, immediate release from the mandate or contract along with the filing of a report for misappropriation of funds.

### **6 Exercise of shareholder rights (Art. 95 para. 3 letter a BV, Art. 49a para. 2 letter b BVV 2, VegüV)**

- a. Voting and election rights ("shareholder rights") shall be exercised with regard to directly held shares in Swiss companies. In the case of investments that do not fall under the provisions of VegüV (Art. 22) but nevertheless allow for the expression of a voting preference, the investment committee shall decide on the procedure in accordance with the principles set out in the sustainability concept.
- b. Shareholder rights shall be exercised in the interests of the beneficiaries. This is ensured if the voting and election practice contributes to the long-term prosperity of the Foundation with regard to Art. 71 para. 1 BVG. Further principles for exercising shareholder rights are governed by the sustainability concept.
- c. The Board of Trustees shall delegate the responsibility for the voting decision to the investment committee within the framework of these Regulations. The investment committee shall determine the procedure and ensure that shareholder rights are exercised in accordance with the legal requirements, these Regulations and the principles of sustainability.
- d. The Foundation may avail itself of analyses and voting recommendations by voting advisors or delegate these to corporate governance experts for the purpose of reaching a decision on the exercise of its shareholder rights.
- e. The head of the investment division shall regularly report to the Board of Trustees on the Foundation's voting and election practice.
- f. The Board of Trustees shall ensure that the beneficiaries are notified of the Foundation's voting and election practice at least once a year.

## **7 Final provisions and entry into force**

This Investment Policy shall fully supersede the Investment Policy of the Nest Collective Foundation dated 1 January 2020. The new Regulations shall enter into force on 1 July 2022.

If there are differences in the English and the German version, the German version in force.

## Appendix 1 Strategic asset structure

### 1 Strategy

Asset class pursuant to BVV 2	Strategy			BVV 2 thresholds	
	Lower bandwidth	Target structure	Upper bandwidth	Max.	Extension
<b>Cash and cash equivalents</b>	<b>0.0%</b>	<b>1.0%</b>	<b>7.0%</b>	100%	No
<b>Fixed income instruments</b>	<b>22.0%</b>	<b>32.0%</b>	<b>42.0%</b>	100%	No
Bonds CHF	15.0%	20.0%	25.0%		No
Mortgages CHF	1.5%	3.0%	4.5%		No
Foreign currency bonds	4.5%	7.0%	9.5%		No
Emerging market bonds	1.0%	2.0%	3.0%		No
<b>Total equities</b>	<b>20.5%</b>	<b>29%</b>	<b>37.5%</b>	50%	No
Swiss equities	2.5%	4.0%	5.5%		
Global equities	15.0%	19.0%	23.0%		
Global small cap equities	1.5%	3.0%	4.5%		
Emerging markets equities	1.5%	3.0%	4.5%		
<b>Total real estate</b>	<b>18.0%</b>	<b>25.0%</b>	<b>32.0%</b>	30%	Yes
Swiss real estate	16.5%	22.0%	27.5%		
Global real estate	1.5%	3.0%	4.5%		
<b>Total alternative investments</b>	<b>6.0%</b>	<b>13.0%</b>	<b>20.0%</b>	15%	Yes
Private and infrastructure equity	4.0%	7.0%	10.0%		
Insurance-linked securities	1.0%	3.0%	5.0%		
Private debt	1.0%	3.0%	5.0%		
<b>Total</b>		<b>100%</b>			
Total listed and unlisted equities	26.5%	36.0%	47.5%		
Total alternative investments pursuant to BVV 2 (incl. those within the other asset classes)	7.0%	13.0%	20.0%		Yes
Total foreign currencies		50.0%			
Currency hedge		40.0%			
<b>Total foreign currencies after currency hedge</b>	<b>5%</b>	<b>10%</b>	<b>15%</b>	30%	No

If a maximum limit pursuant to Art. 53 paras. 1–4, Art. 54, 54a, 54b para. 1, Art. 55, Art. 56, 56a paras. 1 and 5 and Art. 57 paras. 2 and 3 BVV 2 is exceeded in the asset management context, such excess shall be conclusively disclosed in the notes to the annual accounts pursuant to Art. 50 para. 4 BVV 2, taking into account the principles set out in Art. 50 paras. 1–3 BVV 2.

To verify the BVV 2 maximum limits, the investments are allocated to the corresponding asset classes in accordance with Art. 53 BVV 2.

### 2 Tactical bandwidths

- a. A range is set for each class depending on its share in the strategy, as shown in the table above.
- b. The upper and lower tactical bandwidths define the maximum permissible deviations from the strategic target structure. They represent intervention points. The portfolio holdings must remain within the lower and upper bandwidths as a matter of principle.
- c. Compliance with the tactical bandwidths shall be reviewed at least once a quarter.
- d. Where a violation of the bandwidths is identified, appropriate reallocations shall be made to bring the asset structure back into the bandwidth range. This action shall be taken within 6 months of the bandwidth violation. Special liquidity characteristics of the various asset classes shall be taken into account.

### 3 Guidelines and strategic benchmark

A transparent market index shall be defined as a benchmark for each asset class. A comparative index specific to the Foundation is calculated with the help of these indices and the neutral weighting according to the strategic asset structure.

Asset class	Benchmark
Cash and cash equivalents	FTSE CHF 3m Eurodeposit
Bonds CHF	Swiss Bond Index Total AAA-BBB TR
Mortgages CHF	SBI Domestic AAA-A 3-5Y TR
Foreign currency bonds	Bloomberg Global Aggregate Index TR
Emerging market bonds	50% JPMorgan EMBI Global Diversified Index 50% JPMorgan GBI-EM Global Diversified Index
Swiss equities	Swiss Performance Index TR
Global equities	MSCI World ex Switzerland TR net
Global small cap equities	MSCI World Small Caps ex Switzerland TR net
Emerging markets equities	MSCI Emerging Markets Index TR net
Swiss real estate	85% KGAST Immo-Index 15% SXI Real Estate Funds Broad Index TR
Global real estate	FTSE EPRA/NAREIT Global Developed Real Estate Index TR
Private and infrastructure equity	MSCI World gross TR +1.0%
Insurance-linked securities	Eurekahedge ILS Advisers Index
Private debt	S&P Global Leveraged Loan Index TR
Currency overlay	WM Reuters Customized 1-Month Forward Index

#### Appendix 2 Valuation principles

2.1 The so-called economic exposure is decisive when it comes to compliance with the strategic asset structure pursuant to Appendix 1, i.e., all assets shall be measured at market value as at the balance sheet date and the economic exposure of the derivatives shall be taken into account. The prices established by the custodians are authoritative. In all other respects, the provisions of Art. 48 BVV 2 and Swiss GAAP FER No. 26 para. 3 shall apply.

2.2 Non-traded investments are measured using standardised valuation methods (e.g., DCF method) without recognition of hidden reserves or smoothing effects. For this purpose, the values shall be established by independent external appraiser. Deferred taxes, however, shall be taken into account.

#### Appendix 3 Fluctuation reserves



- 3.1** Fluctuation reserves are formed on the liabilities side of balance sheet to compensate for losses on the assets side as well as be able to pay the necessary interest on liabilities.
- 3.2** The required target level of the fluctuation reserves is determined according to the so-called value-at-risk method. The combination of expected risk relating to the various asset classes (volatility, correlation) with expected returns (risk-free rate plus risk premiums), based on the Foundation's strategic asset allocation, results in the determination of a fluctuation reserve that generates, with reasonable certainty, a target return that is at least equal to the interest on the retirement savings capital. The target level of the fluctuation reserve is expressed as a percentage of the liabilities.
- 3.3** The Board of Trustees shall review the appropriateness of the target level on a regular basis and in the case of extraordinary events and, if necessary, adjust and record it in the minutes. The defined target level shall be disclosed in the notes to the annual accounts. The relevant target amount is a safety level of 95 percent over one year. The structure of the member portfolio and its development shall be taken into account in the determination of the safety level. Any modifications of the basic principles shall be explained in the notes to the annual financial reports in compliance with the requirements of Swiss GAAP FER 26.

## **Appendix 4 Investment guidelines**

### **4.1 Principles**

- a. The legal requirements regarding the investment of assets pursuant to Art. 49–59 BVV 2 shall be complied with.
- b. Investments may not lead to any call liability for the Foundation (Art. 50 para. 4 BVV 2).
- c. Depending on the asset class, the investments shall be diversified across countries, sectors, companies, projects, geographical location, type of use, size, counterparties, risks and events. The investments may not contain any leverage, except in the cases specified in Art. 53 para. 5 BVV 2. Assigning these cases to the alternative investments is mandatory.
- d. Individual investments and collective investments pursuant to Art. 56 BVV 2 are permissible.
- e. Currency hedging is principally performed via a currency overlay. Specific currency hedges are permissible in the context of investment vehicles and shall be taken into account in the currency overlay.

### **4.2 Investments in employers' companies**

- a. To the extent that they are tied up to cover vested benefits and current pensions, the Foundation's assets, less liabilities and accrued expenses, may not be invested in employers' companies without being secured.
- b. Unsecured investments and participating interests in employers' companies may not exceed a total of 5 percent of total assets.
- c. Investments in an employer's unlisted securities as well as mortgage loans and loans in favour of an employer shall be submitted to the Board of Trustees for its prior approval.
- d. The provisions of Art. 57 and Art. 58 BVV 2 shall be complied with at all times.

### **4.3 Securities lending**

- a. Securities lending is prohibited in the case of both direct and collective investments.

### **4.4 Repurchase agreements**

- a. Repurchase agreements are prohibited in the case of both direct and collective investments.

## 4.5

## Guidelines for the different asset classes

Asset class	Management guidelines
<b>Cash and cash equivalents</b>	<p><b>Investment vehicles:</b> retirement savings accounts, current accounts, fixed-term deposits, or money market funds</p> <p><b>Rating:</b> Good credit risk, at least a short-term A-1 or a long-term A- or comparable, counterparty risk shall be diversified. <b>Restrictions:</b> No instruments containing optional features such as caps, floors or swaptions.</p>
<b>Bonds CHF</b>	<p><b>Investment vehicles:</b> Collective investments (BVV 2, Art. 56), diversified mandate.</p> <p><b>Rating:</b> At least 90 percent must have a minimum rating of BBB- (Baa3) or comparable. In the event of a downgrade below BBB-, the securities must be sold within six months. The minimum average rating must be BBB or higher.</p> <p><b>Restrictions:</b> Max. 10 percentage points above the respective index weighting per debtor. Max. 15 percent above the respective index weighting in the case of covered bonds (Pfandbriefbank and Pfandbriefzentrale). Swiss government bonds are not subject to any restrictions.</p> <p><b>BVV2:</b> The percentage of receivables that do not comply with Art. 53 para. 1 letter b items 1–8 BVV 2 may not exceed the percentage of these alternative receivables within the index by more than 5 percentage points.</p>
<b>Mortgages CHF</b>	<p><b>Investment vehicles:</b> Collective investments (BVV 2, Art. 56), diversified mandate (CHF and domestic only) and direct mortgages in CHF pursuant to separate mortgage regulations.</p> <p><b>Rating:</b> Maximum loan-to-value ratio of 80 percent for residential properties and 70 percent for commercial properties in the allocation. The ratio is determined on the basis of the market value according to an assessment by an external appraiser or the current purchase price, with the lower of the two values prevailing.</p> <p><b>Restrictions:</b> The encumbered property must be located in Switzerland. Eligible options include mortgage loans on residential and commercial properties, building land, buildings under building law and condominiums in Switzerland.</p> <p><b>BVV2:</b> The same guidelines apply to employees, members of governing bodies, mandated natural or legal entities of the Foundation or related parties.</p>
<b>Foreign currency bonds</b>	<p><b>Investment vehicles:</b> Collective investments (BVV 2, Art. 56), diversified mandate</p> <p><b>Rating:</b> At least 90 percent must have a minimum rating of BBB- (Baa3) or comparable. In the event of a downgrade below BBB-, the securities must be sold within six months. The minimum average rating must be BBB or higher.</p> <p><b>Restrictions:</b> Receivables per debtor may not be more than 10 percentage points above the respective index weighting. In the case of receivables from debtors with a first-class credit rating (sovereigns with a rating of AAA), this limit may be raised to 20 per cent.</p> <p><b>BVV2:</b> The proportion of receivables that do not comply with Art. 53 para. 1 letter b items 1–8 BVV 2 may not exceed the proportion of these alternative receivables within the index by more than 5 percentage points.</p>

<b>Asset class</b>	<b>Management guidelines</b>
<b>Emerging market bonds</b>	<p><b>Investment vehicles:</b> Collective investments (BVV 2, Art. 56), diversified mandate</p> <p><b>Rating:</b> At least 40 percent must have a minimum rating of BBB- (Baa3) or comparable. In the event of a downgrade below BBB-, the securities must be sold within six months.</p> <p><b>BVV2:</b> The proportion of receivables that do not comply with Art. 53 para. 1 letter b items 1–8 BVV 2 may not exceed the proportion of these alternative receivables within the index by more than 30 percentage points.</p>
<b>Swiss equities</b> <b>Global equities</b> <b>Global small cap equities</b> <b>EM equities</b>	<p><b>Investment vehicles:</b> Collective investments (BVV 2, Art. 56), diversified mandate</p> <p><b>Restrictions:</b> Max. 10% above index weighting per company, no acquisition of unlisted securities.</p>
<b>Swiss real estate</b>	<p><b>Investment vehicles:</b> Collective investments (BVV 2, Art. 56), direct real estate investments</p> <p><b>Restrictions:</b> Restrictions regarding direct real estate investments: max. 15% per individual property, min. share of residential properties 60%, max. share of building land, project developments and properties under construction 20%, max. share of building lease properties 15%, no participations, infrastructure buildings, investments in land used for agricultural purposes, properties run by operating companies (hotels, shopping centres, retirement homes, etc.) or luxury properties (defined, inter alia, as properties containing flats with more than 200 m<sup>2</sup> or single-family houses with more than 300 m<sup>2</sup>).</p> <p><b>BVV2:</b> Properties with a permanent loan-to-value ratio of more than 30 percent of the market value, etc. are not permitted.</p>
<b>Global real estate</b>	<p><b>Investment vehicles:</b> Collective investments (BVV 2, Art. 56), limited partnerships</p> <p><b>BVV2:</b> Properties with a permanent loan-to-value ratio of more than 50 percent of the market value, etc. are not permitted.</p>
<b>Alternative investments (private equity and infrastructure equity, private debt and insurance-linked securities)</b>	<p><b>BVV2:</b> In the event of the use of undiversified alternative investment instruments, a justification for the extension must be given in accordance with Art. 50 para. 4 BVV 2. Products with call liabilities are not permitted, however, a predefined investment sum (commitment) with a call right within a defined period (capital call) does not count as a call liability.</p> <p>Investments in assets that cannot be assigned to an asset class pursuant to Art. 53 para. 1 letters a–d BVV 2, especially receivables pursuant to Art. 53 para. 3 (e.g., collective investments in real estate with a permanent loan-to-value ratio of more than 50 percent of the market value, etc.) are permissible subject to compliance with the above investment restrictions.</p>
<b>Private equity and infrastructure equity</b>	<p><b>Investment vehicles:</b> Collective investments (BVV 2, Art. 56), limited partnerships, direct participations</p> <p><b>Restrictions:</b> Max. 20% of the assets of this investment category may be invested in direct investments</p>

<b>Asset class</b>	<b>Management guidelines</b>
<b>Insurance-linked securities</b>	<p><b>Investment vehicles:</b> Collective investments (BVV 2, Art. 56), limited partnerships</p> <p><b>Restrictions:</b> Max. 10% in life settlements, max. 60% in illiquid investments.</p>
<b>Private debt</b>	<p><b>Investment vehicles:</b> Collective investments (BVV 2, Art. 56), limited partnerships, direct investments</p> <p><b>Restrictions:</b> Max. 5% in direct investments; a fundamental credit assessment is mandatory. The Board of Trustees shall be notified prior to the direct lending decision and has veto rights. Max. 60% in illiquid investments.</p>
<b>Currency overlay</b>	<p><b>Investment objective:</b> Reduction of currency exposure</p> <p><b>Investment vehicles:</b> Forward foreign exchange transactions (FX futures, FX forwards), foreign exchange swaps (FX swaps) and listed currency options with a term of up to one year. Longer maturities and other derivatives are permitted as part of the collective investments.</p> <p><b>Benchmark:</b> Calculation based on the Foundation's strategic asset and currency allocation and a rebalancing exercise at the end of the month. To this end, AUD, CAD, DKK, EUR, GBP, HKD, JPY, NOK, SEK and USD are hedged equitably (identical hedge ratio) using 1-month forward rates (WM Reuters mid rates) to ensure that the Foundation achieves a predefined percentage of CHF in the total assets.</p>
<b>Derivatives</b>	<p><b>Investment objective:</b> Derivative financial instruments are exclusively deployed in a supplementary role, i.e., to reduce risk or ensure more efficient management.</p> <p><b>Investment vehicles:</b> Standard derivatives such as futures, forwards, options or swaps only.</p> <p><b>Diversification:</b> Counterparty risks shall be minimised.</p> <p><b>BVV2:</b> The provisions under Art. 56a BVV 2 and the respective professional recommendations of the competent authorities shall be fully complied with at all times. All obligations that may arise upon exercise shall be fully covered at all times either by liquidity (in the case of transactions that increase exposure) or by underlying investments (in the case of transactions that reduce exposure). Both the creation of leverage at the level of the total assets (= hidden borrowing) and the short sale of underlying investments are strictly prohibited.</p>

## **Appendix 5 Asset management costs**

- a. Asset management costs shall be monitored and optimised on a regular basis. This applies to both visible costs, such as management fees, and hidden costs, such as transaction costs.
- b. The breakdown of asset management costs pursuant to Art. 48a BVV 2 is performed in accordance with OAK BV directive W-02/2013 "Disclosure of asset management costs".

## **Appendix 6 Swiss Financial Market Infrastructure Act (FinfraG/FinfraV)**

Pursuant to Art. 93 para. 2 letter g FinfraG, the Foundation is classified as a financial counterparty (FC). Since the Foundation does not meet the threshold (average gross positions of all outstanding OTC derivatives transactions pursuant to Art. 100 FinfraG and 88 ff. FinfraV), it is considered to be a small financial counterparty (FC-).

The use of derivative instruments is governed by the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FinfraG). Different market conduct requirements apply depending on the respective derivative. The Foundation may not directly employ currency forwards or currency swaps (provided that real settlement is guaranteed) unless they are exclusively subject to the reporting requirement vis-à-vis the trade repository (Art. 84 FinfraV and Art. 104 ff FinfraG) that is incumbent on the larger financial counterparty (FC+).



Nest Collective Foundation

Molkenstrasse 21

8004 Zurich

T 044 444 57 57

T 044 444 57 99

Nest Fondation collective

10, rue de Berne

1201 Genève

T 022 345 07 77

T 022 345 07 79

[info@nest-info.ch](mailto:info@nest-info.ch)

[www.nest-info.ch](http://www.nest-info.ch)