

Profond

Investment Regulations

1 January 2025

In the event of legal differences between
the original and the translation,
the German-language version is decisive.




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Abbreviations and terms

PIF	Profond Investment Foundation
FSIO	Federal Social Insurance Office, Switzerland
BVG	Federal Law on Occupational Retirement, Survivors' and Disability Insurance
OOB 2	Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans
FinfraG	Federal Act on Financial Market Infrastructures and Market Behaviour in Securities and Derivatives Trading (Financial Market Infrastructure Act)
FinfraV	Regulation on Financial Market Infrastructures and Market Behaviour in Securities and Derivatives Trading (Financial Market Infrastructure Regulation)
OR	Swiss Code of Obligations
FB	Foundation Board
FB PIF	Foundation Board of the Profond Investment Foundation

1. Objectives and principles

Art. 1 Investment policy

1 The investment policy is based on the statutory mandate and the needs of insured persons. This is ensured by a periodic Asset Liability Management (ALM) study. The investment policy is geared towards real value over the long term (e.g. equities, real estate) in order to guarantee the security and the sufficient return of the investments, the appropriate distribution of risks and the coverage of the foreseeable need for cash and cash equivalents.

2 When investing assets, the principle of appropriate risk distribution must be observed; funds must in particular be distributed among different investment categories, regions and economic sectors (Art. 50(3) OOB 2).

3 All persons or institutions entrusted with the management of the Foundation's assets must comply with the ASIP Charter and Guideline.

Art. 2 Objective

1 The long-term objective is achieved by providing a strategic asset structure (strategic asset allocation "SAA" = benchmark).

Art. 3 Sustainability

1 The central principle of the investment strategy is to achieve long-term sustainable returns, taking into account environmental, social and governance criteria:

- Influence as an active shareholder by exercising voting rights.
- Alignment of the investment guidelines with standards accepted in Switzerland.
- Making investment decisions for own real estate based on lifecycle considerations.
- For the companies and real estate in which Profond invests, we engage in dialogue to encourage them to become more sustainable.

Art. 4 Implementation

1 Investments will be held by the Custodian Bank, the Issuer, the Administrator or otherwise.

2 The Board of Trustees appoints and assigns the Chief Investment Officer, the Foundation Board of the Profond Investment Foundation (PIF), the Investment Committee and Investment Controlling.

3 Investments must be made within tolerated deviations (ranges) from the investment strategy.

4 Investment risks are diversified.

5 Market risks are generally not hedged. In view of currency or market fluctuations as a result of extraordinary events, the Investment Committee may order temporary hedges.

6 In principle, the asset management of all investments is assigned to external portfolio managers.

7 Currency risks for foreign equities may be hedged. For all other asset classes, the currency risk is hedged at market values in principle and if possible.

Art. 5 Controlling

1 Asset management is controlled independently of the actual investment activity.

2 Controlling monitors compliance with all legal, regulatory and contractual requirements for managing the assets and reports the results achieved to the Foundation Board.

3 The ordinary reporting shall include at least statements about the

- Asset structure.
- Adherence to tactical ranges provided.
- Investment results (total portfolio, asset classes).
- Results of each portfolio manager.
- Risks taken.
- Compliance with the requirements of laws, investment regulations, investment guidelines and contractual requirements.

2. Organization, tasks and competencies

Art. 6 Foundation Board

1 The Foundation Board is responsible for

- defining the objectives and principles of asset management as well as monitoring the implementation of the investment process.
- periodically reviewing the mid- and long-term consistency between investments and commitments (ALM study).
- defining the requirements to be met by the persons and entities that invest and manage the assets of the pension fund.

2 The Foundation Board approves

- the Investment Regulations and Strategic Asset Allocation (SAA).
- the selection of the Global Custodian and any other Custodian Banks.
- special contracts.
- New exposures in alternative or non-liquid investments.

3 The Foundation Board monitors

- Investment Committee
- Chief Investment Officer
- FB PIF

Art. 7 Investment Committee

1 The Investment Committee consists of a maximum of five members. It is composed of at least one member of the Foundation Board of Profond Pension Fund and/or external members and is chaired by the Chairman of the Investment Committee. The Chief Investment Officer attends the meetings of the Investment Committee without voting rights.

2 The Investment Committee meets at least four times a year. In particular, the Committee has the following tasks:

- Quarterly reporting to the Foundation Board.
- It draws up the Investment Regulations, the general investment guidelines, in particular the Strategic Asset Allocation (SAA in accordance with Annex A), and formulates the corresponding applications for the attention of the Foundation Board.

- It selects the external portfolio managers and advisors and monitors their activities.
- It monitors investment activity and investment success.
- It advises and supports the Chief Investment Officer.

Art. 8 Chief Investment Officer

1 The Chief Investment Officer implements the requirements of the Foundation Board and the Investment Committee on the basis of the Investment Regulations and the Investment Guidelines at the level of total assets.

2 The Chief Investment Officer

- draws up decision-making bases for, inter alia, the Investment Regulations, the general investment guidelines and for the design of the investment strategy (SAA).
- controls cash flows between asset classes and portfolio managers.
- prepares the selection process of portfolio managers and advisors, negotiates contract terms and formulates appropriate requests to the Investment Committee. It reports to the Investment Committee on the associated monitoring, control and corrective measures.
- negotiates with the Global Custodian and any other Custodian Banks on the cooperation and the terms and proposes any changes.
- reports on investment activity and investment success.
- coordinates the flow of money between business and investment accounts due to the liquidity plan of the pension fund.
- is responsible for the implementation of the obligations provided for in the use of OTC derivatives (monitoring of thresholds, documentation and reporting obligations, etc.) in accordance with FinfraG and FinfraV.

Art. 9 Custodian Bank

1 The Custodian Bank

- holds and manages securities and promissory notes.
- processes transactions including stamp taxes.
- reclaims withholding taxes.
- maintains the necessary accounts and informs the appointed control bodies.
- provides ancillary services such as securities lending.
- provides an appropriate communication platform.

Art. 10 Securities Accounting

1 The Securities Accounting department draws up monthly accounts. It is up-to-date in accordance with the rules of Swiss GAAP FER 26 and provides auditable documents for the attention of Financial Accounting and the control bodies.

Art. 11 Integrity and loyalty

1 All persons or institutions entrusted with the management or investment of the Foundation are obliged to comply with the loyalty and integrity provisions of the occupational retirement benefits. The ASIP Charter

with the corresponding October 2011 Directive shall apply.

2 In particular

- they must be qualified and ensure that they fulfil, in particular, the requirements of Art. 51b para 1 BVG and comply with Art. 48g–48l OOB 2.
- they are subject to fiduciary duty of care and must safeguard the interests of the insured members of the Foundation in their activities. To this end, they shall ensure that there is no conflict of interest due to their personal and business circumstances.
- they do not carry out proprietary transactions within the meaning of Art. 48j OOB 2.
- the manner and amount of the compensation must be clearly determined in a written agreement. They must provide the Foundation with all the asset benefits that they also receive in connection with the exercising of their duties for the Foundation.
- they disclose their interests on an annual basis in accordance with Art. 48l OOB 2.

3. General guidelines

Art. 12 Contents

1 The general guidelines set the permissible framework for the management of fixed assets. Supplementary, order-related objectives and risk restrictions are specified to the executing bodies. Reasons must be given for deviations.

2 Performance shall be measured against the reference index of the total portfolio in accordance with Appendix B.

3 The available investment universe and the order-related restrictions are described in Appendix C in the investment guidelines.

4 Appendix D defines the accounting policies.

5 Extensions of the investment opportunities pursuant to Art. 50(4) OOB 2 are possible in particular in accordance with Appendix C, whereby compliance with Art. 50(1-3) OOB 2 is conclusively demonstrated in the appendix to the annual financial statements.

Art. 13 Investment restrictions

1 The following restrictions apply in general:

- Direct transactions on commodity exchanges are not permitted.
- Holdings in the form of direct investments in listed companies are permitted up to a maximum of 3% of the respective market capitalisation and 2% of the total portfolio.
- Only tradable bonds, medium-term bonds, mortgage bonds and money market receivables that have at least a rating of BB- according to Standard & Poor's or Ba3 according to Moody's may be acquired. In the case of different ratings, the lower rating serves as a benchmark. If such a rating is not available, the internal ratings issued by UBS or ZCB shall apply. The average rating must be in the investment grade range. In the case of money market investments, the rating of the issuer is sufficient. If the rating falls below the minimum

requirement, the bond must be sold within one quarter.

- The use of derivatives is generally permitted provided that they can be derived from OOB 2-compliant basic investments. Both exchange-traded standardised contracts and OTC contracts (taking due account of counterparty risk, which must be classified as a “large financial counterparty” FG+ in accordance with FinfraG) may be used as derivatives. The permitted use of derivatives is governed by the provisions in Art. 56a OOB2, as well as FinfraG and FinfraV (Profond classifies itself as a “small financial counterparty” FG-) as well as the Investment Regulations. In particular, all obligations that may arise when exercising derivatives must be fully covered at all times by liquidity (exposure-increasing transactions) or by basic investments (exposure-reducing transactions).
- The short sale of basic assets is prohibited.

Art. 14 Exercising of voting rights as shareholder

1 Profond’s voting rights as shareholder of Swiss public limited companies listed in Switzerland or abroad are to be exercised by the Chief Investment Officer.

2 In the case of collective foundations that allow voting preference to be expressed, the Chief Investment Officer is free to decide whether to express the preference or not to express the preference.

3 When exercising voting rights, the Chief Investment Officer must take into account

- the long-term interest of the insured persons,
- the long-term interest of shareholders,
- the continued prosperity of the pension fund; and
- the long-term optimisation of assets.

4 The Chief Investment Officer may consult independent third parties, the Investment Committee and/or the Foundation Board for information and recommendations. They report to the Investment Committee and the Foundation Board once a year on the exercising of voting rights.

5 The voting behaviour is disclosed to the insured persons once a year in a summary report. If Profond does not agree with the proposals of the Board of Directors or abstains from voting, this must be disclosed in detail in the report.

6 The loan of shares from the Swiss public limited companies listed in Switzerland or abroad is only permitted insofar as this does not make it impossible for Profond to exercise its voting right.

Art. 15 Information concept

Periodicity	Informant	Addressee	Contents
Annually	Foundation Board	Beneficiary	– Annual report incl. activity and success report
Quarterly	Chief Investment Officer	Foundation Board Pension Fund	– Activity report – Risk report – Success Report
Quarterly	Ext. Portfolio Manager	Controller	– Activity report – Reporting
Monthly	Pension accounting and reporting	Chief Investment Officer	– Liquidity plan
Quarterly	Controlling	Chief Investment Officer Foundation Board Pension Fund	– Reporting – Controlling report

4. Value fluctuation reserves

Art. 16 Value fluctuation reserves

1 In order to compensate for fluctuations in value on the asset side and to guarantee the necessary interest rate, value fluctuation reserves are formed on the liability side of the balance sheet.

2 The target value fluctuation reserve is calculated using the so-called financial-economic method. With this method, the value fluctuation reserve is determined on the basis of the risk/return characteristics of the investment categories for the investment strategy in order to provide a required minimum interest rate on the liabilities over a one-year horizon with adequate security.

3 The target amount of the value fluctuation reserve is expressed as a percentage of the pension capital plus technical reserves, aiming at a 97.5% level of security for the year. This target amount is reviewed annually and adjusted according to the current situation, while observing the principle of consistency in the calculation method.

5. Various provisions

Art. 17 Right to make amendments reserved

1 The Foundation Board is authorised to amend these Investment Regulations at any time.

Art. 18 Entry into force

1 These Regulations enter into force on 1 January 2025 by resolution of the Foundation Board of 26 November 2024 and replaces the Investment Regulations of 25 October 2022. Amendments to the Regulations shall enter into force upon a decision of the Foundation Board.

The Foundation Board
Zurich, 26 November 2024

Appendices to the Investment Regulations

Appendix A: Strategic Asset Allocation (from 1 January 2025)

Market-related overshooting or undershooting of the ranges must be balanced out in the following month for liquid investments and in the following quarter for illiquid investments.

Asset class	Strategy in %	lower range in %	upper range in %
Liquidity	2	1	12
CHF-denominated bonds	0	0	5
Foreign currency bonds	14	0	19
Switzerland equities	17	12	22
Foreign equities	30	25	35
Real estate in Switzerland	16	10	22
Real estate in other countries	6	3	10
Infrastructure	5	2	10
Alternative investments	10	3	25
Private markets	6	3	15
Drawdown management	4	0	10
Other	0	0	3
Total foreign currencies	30	25	35
Total equities	47	41	53
Duration bonds	Index	0.3x	2.2x

Appendix B:
Total portfolio reference index (from 1 January 2025)

Asset class	Weighting in %	Asset class reference index
Liquidity	2	SARON Fix (SRFXON3)
CHF-denominated bonds	0	SBI Swiss Bond Index Total AAA-BBB 1-5 years TR (ST15T)
Foreign currency bonds	14	Bloomberg Global Aggregate Corporates 1-3 years TR (CHF hedged) (H09886CH)
Switzerland equities	17	SLI Swiss Leader Index TR (SLIC)
Foreign equities	30	MSCI World ex Switzerland (USA Gross) (NF139072)
Real estate in Switzerland	16	KGAST Immo-Index Switzerland (WUPIKGAS)
Real estate in other countries	6	Global Real Estate Fund Index (GREFI) Core (CHF hedged)
Infrastructure	5	5% p.a. fixed in CHF
Private markets	6	5% p.a. fixed in CHF
Drawdown management	4	SG Trend Index (CHF hedged)
Total	100	

Appendix C: Investment guidelines

Art. 1 Liquidity / receivables

Investment objective

Performance within cost- and risk-adjusted benchmark return.

Asset class reference index

SARON Fix (Bloomberg Ticker: SRFXON3 Index)

Investment universe

- Pension account
- Current account
- Money market investments such as GMBF of the Swiss Confederation and SNB Bills

Investment restrictions

The short-term rating of money market instruments must be at least equivalent to a rating of A-1 (Standard & Poor's) or P-1 (Moody's) or a comparable rating from another recognised rating agency. If such a rating is not available, the internal ratings issued by UBS or ZCB shall apply. In the case of different ratings, the lower rating serves as a benchmark.

Art. 2 CHF-denominated bonds

Investment objective

Performance within cost- and risk-adjusted benchmark returns.

Asset class reference index

SBI Swiss Bond Index Total AAA-BBB 1-5 years (TR) (Bloomberg Ticker: ST15T Index)

Investment universe

CHF bonds at home and abroad

Investment restrictions

- Only listed securities with a minimum rating of BB- according to Standard & Poor's or Ba3 according to Moody's may be purchased or subscribed. If such a rating is not available, the internal ratings issued by UBS or ZCB shall apply. In the case of different ratings, the lower rating serves as a benchmark. The average rating applies to collective foundations.
- No convertible bonds

The average rating must be in the investment grade range.

Derivatives

- Use in accordance with art. 56a OOB 2, FinfraG and the recommendations of the FSIO.
- Regular secondary market guaranteed.

Art. 3 Foreign currency bonds

Investment objective

Performance within cost- and risk-adjusted benchmark returns.

Asset class reference index

Bloomberg Global Aggregate Corporates 1-3 years TR (CHF hedged) (Bloomberg Ticker: H09886CH Index)

Investment restrictions

- Only listed securities with a minimum rating of BB- according to Standard & Poor's or Ba3 according to Moody's may be purchased or subscribed. If such a rating is not available, the internal ratings issued by UBS or ZCB shall apply. In the case of different ratings, the lower rating serves as a benchmark. The average rating applies to collective foundations.
- No convertible bonds.

The average rating must be in the investment grade range.

Derivatives

- Use in accordance with art. 56a OOB 2, FinfraG and the recommendations of the FSIO.
- Regular secondary market guaranteed.

Art. 4 Switzerland equities

Investment objective

Performance within cost- and risk-adjusted benchmark returns.

Asset class reference index

SLI Swiss Leader Index TR (SLIC)

Investment universe

Listed Swiss equities

Investment restrictions

- Investment level is generally 100%, except for the necessary liquidity when building up and the resulting liquidity when liquidating positions.
- Individual item not exceeding 3% of the market capitalisation or not exceeding 2% of the total portfolio.

Derivatives

- Use in accordance with art. 56a OOB 2, FinfraG and the recommendations of the FSIO.
- Regular secondary market guaranteed.

Art. 5 Foreign equities

Investment objective

Performance within cost- and risk-adjusted benchmark returns.

Asset class reference indices

MSCI World ex Switzerland (USA Gross) (NF139072)

Investment universe

Liquid equities regularly traded on a foreign exchange.

Investment restrictions

- Investment level is generally 100%, except for the necessary liquidity when building up and the resulting liquidity when liquidating positions.
- Individual item not exceeding 3% of the market capitalisation or not exceeding 2% of the total portfolio.

Derivative instruments

- Use in accordance with art. 56a OOB 2, FinfraG and the recommendations of the FSIO.
- Regular secondary market guaranteed.

Art. 6 Real estate in Switzerland

Investment objective

Performance within cost- and risk-adjusted benchmark returns.

Asset class reference index

KGAST Immo Index Switzerland (Bloomberg Ticker: WUPIKGAS Index)

Investment philosophy

- Active management of the property portfolio.
- Above average locations (relative comparison in region).
- Diversification by age, type and region.

Investment universe

- Profond Investment Foundation: Directly or indirectly held pure and mixed residential, commercial and logistics properties.
- Investment funds of third-party investment foundations.
- Real estate funds.
- Investment companies.
- Holdings in unlisted real estate companies, the main purpose of which is to acquire and sell, or to rent and lease own land.

Investment restrictions

For indirect investment instruments:

- Holdings: the holding of Profond may not exceed 10% of the total assets of a real estate investment foundation or a real estate fund. This excludes the Profond Investment Foundation and each of its investment groups, in whose total assets a holding of up to 100% is possible. Diversification: multiple instruments/providers need to be considered.
- Holdings in unlisted real estate companies are only permitted if Profond receives at least two thirds of the capital of the real estate company and two thirds of the votes.

The external capital of all real estate companies held by Profond may not exceed 30% of the property values.

Art. 7 Real estate in other countries

Investment objective

Performance within cost- and risk-adjusted benchmark returns.

Asset class reference index

Global Real Estate Fund Index (GRESFI) Core (CHF hedged)

Investment universe

- Profond Investment Foundation: Directly or indirectly held pure and mixed residential, commercial and logistics properties in Germany or Austria. The investment is held as a run-off portfolio.
- Investment funds of third-party investment foundations.
- Real estate funds.
- Non-listed companies with majority control by Profond.

Investment restrictions

- Holdings: the holding of Profond may not exceed 10% of the total assets of a real estate investment foundation or a real estate fund. This excludes the Profond Investment Foundation and each of its investment groups, in whose total assets a holding of up to 100% is possible.
- Diversification: multiple instruments/providers need to be considered.

Art. 8 Investments in infrastructure

Investment objective

Achieving a benchmark return.

Investment universe

- Indirect, diversified investments in infrastructure.
- Investments are generally held in special purpose vehicles, limited partnerships, fund of funds or managed accounts.
- Direct holdings of infrastructure assets with a focus on renewable energy are held as a run-off portfolio; no further direct investments will be acquired.

Investment restrictions

- Investments may only be made without the obligation to add additional funds.
- In the event of a direct holding, a careful valuation according to recognised valuation standards and due diligence must be carried out.

Art. 9 Alternative investments

Investment objective

Achieving a benchmark return.

Investment universe

- Indirect, diversified investments in private equity, private debt, managed futures (drawdown management), hedge funds and alternative alternatives such as insurance linked securities.
- Investments are generally held in special purpose vehicles, limited partnerships, fund of funds or managed accounts.

Investment restrictions

Investments may only be made without the obligation to add additional funds.

Appendix D: Accounting policies

Investments are accounted for and valued in accordance with the regulations of Swiss GAAP FER 26, OR and BVG

Asset class	Accounting for
Liquidity, time deposits, current account	
– in CHF	– Nominal value
– in foreign currency	– Nominal value/exchange rate
Receivables in CHF	Nominal value less required value adjustments
Bonds	
– in CHF	– Market value
– in foreign currency	– Market value/exchange rate
Equities	
– Switzerland	– Market value
– Other countries	– Market value/exchange rate
Real estate	
– Indirect (real estate funds) CHF	– NAV/stock exchange price
– Indirect (real estate funds) foreign currency	– NAV/stock exchange price/foreign exchange rate
– Investment foundations CHF and foreign currency	– NAV/foreign exchange rate
– Real estate companies	– Capitalised earnings value, net value of the company
Alternative investments	
– Indirect investments	– Market value, NAV
– Direct investments (run-off)	– Fair value, market value

Appendix E: Control and presentation of derivative positions

1. Principles of presentation

- Positions in derivatives must be presented in terms of their impact on the structure and potential for the performance of fixed assets.
- Positions that have the characteristics of underlying assets are shown as exposure to the corresponding asset class in the appendix to the annual financial statements.
- Positions that are only effective on the basis of market developments or depending on decisions of the investment manager are recorded and reported in a special appendix.

2. Principles of handling

The use of derivatives must comply with the provisions of OOB 2. The recommendations of the FSIO, which serve to interpret the legal standards relating to derivatives, must be taken into account when using derivatives.

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