COPRÉ

INVESTMENT REGULATIONS

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These organisational regulations were adopted on 10 December 2024 in application of Art. 3 para. 1 of the bylaws.

PREAMBLE

In accordance with Articles 65 and 71 of the Federal Law on Occupational, Old Age, Survivors and Disability Insurance (BVG/LPP), 48e to 48l and 49 to 59 of the Ordinance on Occupational, Old Age Survivors and Disability Insurance (BVV 2/OPP 2), the Board of Trustees issues the following regulations on the investment of the Foundation's assets.

The Investment Regulations of COPRÉ, hereinafter the Foundation, determine the objectives and principles as well as the methods of monitoring the asset investment activity. They are laid down by the Board of Trustees.

I. OBJECTIVES AND GENERAL PRINCIPLES

The Foundation shall manage its assets so as to guarantee security, the spreading of risks, an adequate return on investment and the coverage of the estimated need for liquidities, by way of an active and documented process.

This security is evaluated by taking account of all assets and liabilities, the prevailing financial situation as well as the structure and foreseeable future evolution of its insured persons.

The Foundation adheres to the principle of an appropriate distribution of risks. The assets are split between different categories of investment as well as between several economic regions and sectors.

The Foundation applies the criteria of responsibility and sustainability in respect of its portfolio. As such it favours investments that reflect good governance, including the notions of environmental protection and social responsibility, while complying with the applicable laws and regulations and in the interest of its affiliates and insured persons. It ensures that its representatives and agents adhere to these principles with regard to COPRÉ'S investments.

The Board of Trustees obtains information on existing and potential risks by consulting with the specialists it deems to be the most capable of providing clarity, as the circumstances may require: experts, auditors, actuaries, legal advisors, investment advisors, banks etc. It may, on its own initiative, carry out an asset and liability analysis of the institution.

II. INVESTMENT GUIDELINES

The investment of the Foundation's assets is subject to the directives set out in the present investment regulations and their appendices. Responsibility for the strategic allocation of the assets as well as the results of the management is vested in the Board of Trustees. The strategic allocation of assets is presented in Appendix 1.

All of the investments listed in Art. 53 BVV 2/OPP 2 are authorised.

Covering exchange risks is authorised, as is the use of derivatives, structured products or futures, provided they are used to cover risks or optimise returns. Transactions in non-covered options are not authorised.

Investments in foreign real estate, commodities or emerging markets are authorised within the limits set in Appendix 1.

The Board of Trustees may decide to borrow funds from third parties to meet cash flow requirements or refinance real estate activities, within the limits set in Art. 54b, para 2, BVV 2/OPP 2.

Debts not specified in Article 53 para 1, letters b, d bis and d ter of the BVV 2/OPP 2, in force since 1 October 2020 and 1 January 2022, respectively, are considered to be alternative investments.

Alternative investments are generally made in the form of diversified collective investments, diversified certificates or diversified structured products. Exceptionally, and on the explicit authorisation of the Board of Trustees, direct investments are also possible.

The maximum limits per debtor are those set in Art. 54 BVV 2/OPP 2. Securities lending is not authorised.

III. ORGANISATION

1. Tasks of the Board of Trustees

Responsibility for managing the Foundation's assets is vested in the Board of Trustees, which approves the investment regulations and their modifications, and sets the strategic allocation of the assets as well as the authorised fluctuation margins.

The Board of Trustees appoints the Investment Committee in line with Art. 29 of the Organisation Regulations. Its competences are defined in the present Regulations, in compliance with Art. 30 of the Organisation Regulations.

The Board of Trustees decides on the possible delegation of the management of all or part of the movable and real estate assets to managers outside the Foundation.

2. Tasks of the Investment Committee

The members of the Investment Committee are appointed for a period of 4 years. Re-appointment is possible. The mandates of the members of the Investment Committee who also sit on the Board of Trustees or are employees of the Foundation shall expire on the same date for both positions. Unless otherwise decided by the Board of Trustees, the end of a member's Board mandate or the termination of his or her employment implies the end of the mandate as a member of the Investment Committee. The Investment Committee may call upon specialised agents.

The Investment Committee:

- monitors the day-to-day management of investments in moveable assets and real estate, which are under the responsibility of the CIO,
- meets as often as necessary, but at least four times per year, to evaluate the situation of the portfolio and monitor its development and conformity with the strategy,
- monitors the compliance of the Investment Regulations in terms of their application and has oversight over the decisions of the Board of Trustees,
- selects direct or indirect instruments for investing in traditional and alternative investments, and ensures that they are duly monitored,
- organises the selection process for external asset managers and other agents involved in asset management,
- proposes revisions of the Investment Regulations to the Board of Trustees,
- proposes modifications of any kind to the strategic allocation to the Board of Trustees,
- proposes the specialised agents to the Board of Trustees,
- appoints its chairman itself, chosen from among its members.

3. Tasks of the Chairman of the Investment Committee

The Chairman of the Investment Committee:

- convenes the Committee as often as necessary, but at least four times per year.
- ensures that minutes are taken at each Committee meeting and communicated, after approval, to the Board of Trustees.

4. Tasks of the CIO

The CIO:

- Ensures the day-to-day management of investments in movable assets and real estate,
- Informs the members of the Board of Trustees of the management results at least on a quarterly basis,
- Liaises with external service providers and partners.

IV. EXERCISE OF VOTING RIGHTS ATTACHED TO SHARES

In the event that shares are held directly, the Foundation shall apply the provisions of the ORAb in this sense:

1. Voting rights are exercised for the shares in Swiss companies held directly and traded publicly in Switzerland or abroad.
2. The Investment Committee decides on the manner in which voting rights should be exercised and exercises the voting right directly.
3. Voting rights are exercised in the interests of the affiliates and insured persons. The sustainable wealth of the pension fund is a central factor. A long-term perspective is taken when evaluating proposals.
4. COPRÉ shall make public on its website the manner in which it exercises its voting rights, in the form of an annual report.

V. INTEGRITY AND LOYALTY OF MANAGERS, FINANCIAL BENEFITS AND CONFLICTS OF INTEREST

1. The Foundation shall authorise the internal and external persons who manage and administer the Fund's assets to conclude transactions for their own account, provided they comply with the rules defined in Art. 48j BVV 2/OPP 2.
2. Except by prior authorisation from the Board of Trustees, transactions carried out by third parties for their own account with the Foundation's assets are not authorised.
3. Persons and institutions responsible for the management and administration of the pension fund, as well as the asset and real estate managers, shall inform the Investment Committee by 31 January of the following year of all gifts and financial benefits of any kind up to a value of CHF 150 per individual case and up to a maximum of CHF 250 per partner per year. The Investment Committee then rules on the admissibility and assignment of such gifts and financial benefits.
4. The external asset and real estate managers undertake to comply with the principles of integrity and loyalty, and to ensure that their staff also respect them.
5. The financial asset managers must be banks within the meaning of the Federal Law of 8 November 1934 on banks, i.e., either securities traders within the meaning of the Federal Law of 24 March 1995 on stock exchanges, or fund managements and managers of collective investment funds within the meaning of the Federal Law of 23 June 2006 on collective investments, or intermediaries operating abroad subject to equivalent supervision on the part of the recognised foreign supervisory authority.
6. The asset managers must provide evidence of their affiliation to a professional association which has issued ethics rules that have been approved by the Board of Trustees.
7. In addition, the bodies of the Foundation and the sub-contractors shall ensure that Articles 51b BVG/LPP and 48f to 48l BVV 2/OPP 2 are adhered to at all times.

VI. MISCELLANEOUS PROVISIONS

1. Version

The present regulations are being issued in French; they may be translated into other languages.

If there is a discrepancy between the French version and the translation into other languages, the French version shall prevail.

2. Entry into force

The present regulations come into force on 1 December 2024. They replace the Regulations that came into force on 1 December 2023.

On behalf of the Board of Trustees

Claude Roch	Kathlen Overeem
The President	The Vice-President

Geneva, 10 December 2024

APPENDICES:

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APPENDIX 1 INVESTMENT STRATEGY – ASSET ALLOCATION GRID

Limits per asset class

	Strategy (in %)	Minimum fluctuation margin (in %)	Maximum fluctuation margin (in%)
Liquidities (current account / fid. placement)	2	0	47
Bonds in CHF (deb. CH and/or foreign)	11	4	19
Bonds in foreign currencies	4	2	6
Swiss mortgages	2	0	6
Total fixed revenue	19	6	78
Shares in CHF and investment funds in shares in CHF	16	10	20
Shares in foreign currencies and investment funds in shares in foreign currencies	17	10	20
Total shares	33	20	40
Real estate in Switzerland or shares in real estate companies held directly	20	15	35
Foreign real estate	5	3	8
Total real estate	25	18	43
Total Infrastructures	8	2	10
Alternative / non-traditional investments	15	7	21

Maximum global limits

Total exposure in foreign currencies*	40%

*after any exchange hedging transactions

Maximum individual limits

Per real estate object in Switzerland in the form of buildings	10%

APPENDIX 2 EXTENSION OF INVESTMENT RULES (ART. 50 PARA 4 BVV 2/OPP 2)

As per the Article governing the extension of investment possibilities under the BVV 2/OPP 2, differences with respect to the limit values of the BVV 2/OPP 2 in the context of the present investment regulations are authorised.

However, attention should be paid to:

- guaranteeing the pension objective with respect to investment of the assets,
- including, in the event of extension of the investment possibilities, a conclusive statement in the appendix to the annual accounts.

APPENDIX 3 RULES FOR SETTING UP THE SECURITIES FLUCTUATION RESERVE

In conformity with Art. 48e of the BVV 2/OPP 2, the Foundation defines the target level of the securities fluctuation reserve (SFR).

Price fluctuations are essentially linked to the more or less risky nature of the assets held in the portfolio, to their relative weighing within the latter, and to the co-dependencies measured between their respective developments. A risky asset is one in which the performance dispersion is recognised to be wider than the other assets. Exposure to risk is quite obviously even more significant when the weighing of this asset within the Foundation's portfolio is high. Finally, if the movements between the assets are strongly correlated, they will add up, but if such movements are correlated only weakly or even negatively, the movement of certain assets will be counterbalanced by the inverse movements observed among the others.

The target level of the SFR corresponds to the provision that would be necessary so that the probability that the Foundation goes into under-coverage in the next three years is below 2.5%. This is a Value-at-Risk (VaR) with a level of security of 97.5% and a time horizon of one year.

APPENDIX 4 REAL ESTATE ASSET MANAGEMENT POLICY

As per Articles 71 BVG/LPP and 49a BVV 2/OPP 2 and the Foundation's investment regulations, the Board of Trustees (hereinafter referred to BT) decides the following real estate asset management policy:

1. Scope of acquisitions

The following purchases can be considered for investment in Switzerland and abroad:

1.1 Plots of land, residential, mixed, commercial and industrial buildings. Land, rental residential buildings or residential properties acquired in a viager scheme,

1.2 Shares in companies holding the entirety of the buildings appearing on their balance sheet,

1.3 The Foundation may participate in real estate promotions and developments, provided these meet the criteria with respect to purchase, duration and sale,

1.4 Shares in investment funds, including investment foundations (LLP invested in property).

2. Management of buildings in Switzerland and abroad

2.1 The management of the real estate assets may be delegated to an agent meeting the provisions of the present Regulations, selected by the Investment Committee (COPLA) and appointed by the Board of Trustees. COPLA ensures that the parties involved in managing the real estate investments adhere to Articles 48f-l BVV 2/OPP 2 and these Regulations. It ensures in particular that:

- the Board of Trustees is informed of possible conflicts of interest; and
- the attestation specified in Article 48l BVV 2/OPP 2 is procured annually.

2.2 The agent submits proposals for acquisition, development and sale to COPLA, which gives its recommendation before the final decision by the Board of Trustees.

2.3 The valuation of the buildings is carried out through a method described in Appendix 5.

2.4 The general and specific criteria for acquisition are described in Appendix 6.

3. Target return

3.1 The net return is defined as the result of rents received less "current charges (recurrent and maintenance charges), less works posted as charges", reported as a % of the purchase price of the building (price + purchase fees, transfer taxes and commission). This return is calculated without considering any mortgage leverage.

3.2 The target return is set in Appendix 6. It may be departed from if the agent demonstrates that the potential of the building will allow it to be achieved it in the medium term.

3.3 The above returns are understood to be without leverage effect.

4. Organisation of monitoring and decision-making powers

4.1 Investment properties

The agent submits to COPLA an investment plan covering one year for recommendation to the BT, whose approval is required.

4.2 Objects acquired in a viager scheme.

The investments required for the resale of the property are presented to COPLA by the agent, taking into account the target return.

4.2.1. Apart from the case of renovation works mentioned above, all other budgets approved by the BT within the scope of the annual approval process of the overall budget for works must be validated by COPLA before work begins.

4.2.2. The agent must submit a table for monitoring the budgets to the Investment Committee once a year.

APPENDIX 5 METHOD OF VALUATION OF PROPERTIES

The valuation of properties is carried out according to the method described below.

Principle

Properties are appraised at their capitalised value, which is based on the capitalisation of realisable rentals in the long term, more precisely on their dynamic rental status at 31.12 of the closing year. Collections and vacant premises are not taken into account in the rental status, as these two risks are included in the capitalisation rate.

In view of the significant number of properties in the Foundation's portfolio and its geographical diversification, the capitalisation rate for each property is set based on five factors which are recognised by accredited appraisers and real estate experts as decisive criteria, namely:

1. The location of the property (net market rate of return): Four major regions: the Lake Geneva arc, the rest of French-speaking Switzerland, German-speaking Switzerland and the "premium" in the cities of Zurich, Basel, Bern, Lausanne and Geneva.
2. The maintenance level of the property (1st component of the yield premium): Four categories: very good, good, average, and poor (requiring structural investment).
3. The vacancy rate of the property (2nd component of the yield premium): Four categories: zero, low, medium, or high.
4. The cost rate per geographic area (location).

Capitalisation rate

Capitalisation rates are calculated as follows:

Capitalisation rate =

[(Net market rate of return + Yield premium) / (1-Cost rate)]

1. (Net) market rate of return

This rate is set on the basis of recent purchase transactions (last 12 months) realised by the Foundation, and by other institutional investors in each of the given geographical regions. This concerns the net levels of return obtained (location, investment costs, vacancy rate). This rate is reviewed on an annual basis.

2. Yield premium

A yield premium is added based on:

1. the state of maintenance and
2. the vacancy level.

This premium is set as follows:

			Standard category	"Premium" category
Maintenance: Very good	or	Vacancy: Zero	0.00%	0.00%
Maintenance: Good	or	Vacancy: Low	0.30%	0.25%
Maintenance: Average	or	Vacancy: Medium	0.60%	0.50%
Maintenance: Poor	or	Vacancy: High	0.90%	0.75%

3. Cost rate

This figure is determined by analysing the actual costs of the Foundation’s portfolio as an average of the three last periods (N, N-1 and N-2) for each defined geographical zone. These are the recurring and maintenance charges of the management accounts held by the property agency, excluding major renovation work. This rate is reviewed on an annual basis.

Special cases

Special cases exist for commercial buildings whose return profile is different from residential buildings because the related risk is higher. Therefore, it is advisable to separate out the buildings falling within this typology and to treat them on a case-by-case basis. The (net) market rate of return, the yield premium and the cost rate are therefore set individually for each of these buildings. The fluctuation margin and the method of calculation remain identical.

Validity

The methodology and criteria specified above will be reviewed every 5 years by the Board of Trustees for validation.

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APPENDIX 6 GENERAL AND SPECIFIC EXAMINATION CRITERIA FOR DECISION-MAKING REGARDING THE PURCHASE AND SALE OF REAL PROPERTY

The criteria are as follows:

General criteria

1. Geographical region.
2. Macro-location: the characteristics of the building must be consistent with its position.
3. Quality, state of maintenance with respect to the potential for improving the rental status and the energy score.

Specific criteria

1. Strategy of the Foundation.
2. Situation and status of the real estate market.
3. Micro-location of the building: nuisances, public transports, evolution of the characteristics of the neighbourhood.
4. Architectural characteristics of the building.
5. Dilapidation of the building: works envisaged and refurbishment costs.
6. Allocation of the building’s floor space.
7. Typology: number of accommodation units and number of rooms per unit, quality of the distribution, habitability, size of rooms and compatibility with the characteristics of the property.
8. Rental status: comparing the existing rental status with a theoretical rental status (with Wüest & Partners data for example), recognition of a possible rental reserve.

   Possible existence of vacant spaces in the building and future rental risk.
9. Operating costs: comparing the operating costs with different benchmarks (ratio based on rental status), identification of possible future optimisation of these costs.
10. Return:

    The target return in Switzerland and abroad must take account of the general economic situation, the level of long-term interest rates, and the specific situation of the real estate market. The minimum net rate of return, without leverage, is generally set at 4%, whatever the economic situation. This level makes it possible to sustain both the Foundation’s distribution policy and the conversion rate proposed to its affiliates.

    Exceptionally, acquisitions may be made at rates lower than 4% if justified by the exceptional situation of the building, its strategic importance, or its development potential.

    For objects acquired in viager, the rental rate of return is replaced by the IRR expected after the enhancement and resale of the property.

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