

# INVESTMENT GUIDELINES

## OF THE FEDERAL PENSION FUND PUBLICA

### (PUBLICA INVESTMENT GUIDELINES)

dated 15 APRIL 2010 (updated 12 June 2020)<sup>1</sup>

---

*PUBLICA Investment Guidelines 15.04.2010*

#### Table of contents

<b>1. Chapter</b>	<b><i>Objective and principles</i></b>	<b>3</b>
Art. 1	Objective	3
Art. 2	Fundamentals	3
Art. 3	General principles	4
<b>2. Chapter</b>	<b><i>Organisation and responsibilities</i></b>	<b>4</b>
Art. 4	Board of Directors	4
Art. 5	Investment Committee	5
Art. 6	Tasks of the Investment Committee	6
Art. 7	Passing of resolutions	7
Art. 8	Asset Management	7
Art. 9	Investment Controller	7
Art. 10	Custodians	8
Art. 11	Asset managers	8
Art. 12	Property managers	9
Art. 13	Accounting	9
<b>3. Chapter</b>	<b><i>Structuring of assets</i></b>	<b>10</b>
Art. 14	Strategic Asset Allocations	10
Art. 15	Asset classes	10
<b>4. Chapter</b>	<b><i>Investments</i></b>	<b>11</b>
Art. 16	Investment selection	11
Art. 17	Cash and money market instruments	11
Art. 18	Investment-grade bonds	11
Art. 19	Sub-investment-grade bonds	12
Art. 20	Bonds from emerging markets	12
Art. 21	Mortgages	12
Art. 22	Equities	12
Art. 23	Direct property investments	12

---

<sup>1</sup> The Board of Directors approved amendments to these Investment Guidelines on 19 January 2012, 22 November 2012, 18 October 2013, 22 November 2016, 23 June 2017, 8 May 2019 and 12 June 2020. These amendments are indicated by footnotes.

Art. 24	Indirect property investments	13
Art. 25	Alternative investments	13
Art. 26	Currencies	13
Art. 27	Derivatives	14
Art. 28	Securities lending	14
<b>5. Chapter</b>	<b>Miscellaneous</b>	<b>14</b>
Art. 29	Exercise of voting rights for equities held	14
<b>Concluding provisions</b>		<b>14</b>
Art. 30	Replacement of existing Investment Guidelines	14
Art. 31	Entry into force	15

On the basis of the Federal Act on the Federal Pension Fund (PUBLICA Act, SR 172.222.1) of 20 December 2006, in effect since 1 July 2008,

specifically Article 11 paragraph 3 letter d, Art. 12 paragraph 6 and Article 15 thereof,

the **Board of Directors** hereby issues the following Investment Guidelines:

## **1. Chapter**                      **Objective and principles**

### **Art. 1**                              **Objective**

- <sup>1</sup> The assets of the Federal Pension Fund PUBLICA (hereafter “PUBLICA”) are to be invested and managed solely in the interests of the active members and pension recipients.<sup>2</sup>
- <sup>2</sup> PUBLICA seeks to generate total returns that ensure its ability to fulfil its obligations in the long term, using appropriate risk limitation strategies.
- <sup>3</sup> Asset management decisions must take account of the risk-bearing ability of PUBLICA or the pension plans, respectively.<sup>3</sup> There must be sufficient funds at all times to disburse the benefits promised within the agreed timeframe.

### **Art. 2**                              **Fundamentals**

- <sup>1</sup> Asset management decisions must comply with the provisions of the Federal Act on Occupational Old Age, Survivors’ and Disability Pension Plans (BVG, SR 831.40) and the Ordinance on Occupational Old Age, Survivors’ and Disability Pension Plans (BVV2, SR 831.441.1), and all relevant provisions in effect.
- <sup>2</sup> In particular, the following provisions must be observed:
  - a) Article 51 paragraph 2 letter c BVG (parity in asset management)
  - b) Article 71 BVG (basic requirements of asset management)
  - c) Article 53a BVG (legal basis for the implementing provisions on loyalty in asset management)
  - d) Articles 48f – 60 BVV2 (integrity and loyalty in asset management, admissible investments, security, risk spreading, investments with the employer)<sup>4</sup>
  - e) ...<sup>5</sup>
- <sup>3</sup> The code of conduct for all persons involved in the investment and management of assets is derived from the prevailing law (BVG), implementing ordinance (BVV2) and the Compliance policy.

---

<sup>2</sup> Amended on 22 November 2016.

<sup>3</sup> Amended on 22 November 2012.

<sup>4</sup> Amended on 22 November 2016.

<sup>5</sup> Deleted on 22 November 2016 (content transferred to letter d).

### **Art. 3**                      **General principles**

1. The following conditions apply to the investment of the assets:
  - a) The best practice standards must be observed;
  - a<sup>bis</sup>)<sup>6</sup> Material external partners, all of which must enjoy a good reputation and satisfy proper business conduct requirements, must be selected in a clearly structured, documented and transparent process.
  - b) The operating, counterparty<sup>7</sup> and regulatory<sup>8</sup> risks must be monitored at all times and the investments protected as far as possible from human, process or system error or failure and the impact of external events;
  - c) There must be an adequate risk distribution;
  - d) The risk incurred (volatility) must be in proportion to expected performance;
  - e) The marketability of assets must be taken into account (liquidity risk);
  - f) The risks involved in interest rate fluctuation must be given due consideration (interest rate risk);
  - g) A sufficient degree of liquidity must be ensured at all times;
  - h) For claims and debt instruments, the creditworthiness of debtors must be taken into account, and for shares and other equity instruments, the financial soundness of the companies in question;
  - i) For direct<sup>9</sup> property investments, the location, size, possible uses, long-term yield potential and legal risks must be taken into account;
  - j) Investment decisions should also address ecological, ethical and social aspects provided these do not impede fulfilment of the pension objectives;
  - k) The investment assets will be valued at market prices. Where no market prices are available, assets will be valued using transparent, recognised methods. <sup>10</sup>These methods are set down in valuation guidelines.
2. <sup>11</sup>Extensions to the range of investment options in accordance with Article 50 paragraph 4 BVV2 are permitted, provided compliance with Article 50 paragraphs 1 – 3 BVV2 can be conclusively demonstrated in the notes to the annual financial statements.

## **2. Chapter**                      **Organisation and responsibilities**

### **Art. 4**                      **Board of Directors**

- 1 The Board of Directors bears overall responsibility for management of the assets. It is responsible for issuing and amending the Investment Guidelines. It determines a Strategic Asset Allocation for the closed pension funds as a whole and for the open pension funds as a whole, as well

---

<sup>6</sup> Inserted on 22 November 2016.

<sup>7</sup> Inserted on 22 November 2012.

<sup>8</sup> Amended on 22 November 2016.

<sup>9</sup> Amended on 22 November 2016.

<sup>10</sup> Inserted on 22 November 2016.

<sup>11</sup> Inserted on 23 June 2017.

as the Strategic Asset Allocation for the PUBLICA Collective Institution as service provider and insurer.

- 2 The Board of Directors:
  - a) elects the members of the Investment Committee and appoints its Chair;
  - b) appoints one or more Global Custodians for the deposit of movable assets;
  - c) appoints an external body as Investment Controller;
  - d)<sup>12</sup>appoints the ALM consultant;
  - e) ...<sup>13</sup>
  - f) takes note of the periodic and annual reports issued by the Investment Committee and the Investment Controller;
  - g) rules on <sup>14</sup>direct property transactions <sup>15</sup>in Switzerland (acquisitions, disposals, project implementation) where the investment value exceeds CHF 100<sup>16</sup> million and on purchases of land exceeding CHF 25<sup>17</sup> million without a project ready to be voted on;
  - h) may issue, apart from or together with the Strategic Asset Allocations, additional guidelines on the management of individual asset classes (e.g. property investments) or the use of certain asset instruments (e.g. derivatives).

## **Art. 5 Investment Committee**

- <sup>1</sup> On the basis of Article 12 paragraph 6 PUBLICA Act and in accordance with Article 11 paragraph 1 letter a of the Corporate and Organisational Regulations, an Investment Committee is appointed for the investment and management of the assets.
- 2 This comprises:
  - a) apart from the Chair, at least three and no more than five other members chosen by the Board of Directors <sup>18</sup>from among their number,
  - b)<sup>19</sup>up to<sup>20</sup> three external investment experts who may also be appointed by the Board of Directors to the Investment Committee. The Federal Finance Administration may propose an expert to the selection committee.<sup>21</sup>
- 3 Apart from the election of the Chair, <sup>22</sup>who is elected by the Board of Directors, the Investment Committee constitutes itself.
- <sup>3a</sup><sup>23</sup>To prepare for the election of the Chair and the external investment experts, the Board of Directors appoints a selection committee consisting of equal numbers of employer and employee.

---

<sup>12</sup> Inserted on 22 November 2012.

<sup>13</sup> Deleted on 22 November 2016.

<sup>14</sup> Inserted on 22 November 2016.

<sup>15</sup> Inserted on 22 November 2016.

<sup>16</sup> Amended on 22 November 2012 and 23 June 2017.

<sup>17</sup> Amended on 22 November 2016 and 23 June 2017.

<sup>18</sup> Inserted on 22 November 2012.

<sup>19</sup> Inserted on 22 November 2012.

<sup>20</sup> Amended on 22 November 2016.

<sup>21</sup> Amended on 12 June 2020.

<sup>22</sup> Inserted on 22 November 2016.

<sup>23</sup> Inserted on 12 June 2020.

representatives from among its own members, which evaluates suitable candidates and proposes them to the Board of Directors for election.

<sup>4</sup> It may appoint sub-committees.

<sup>5</sup> The CEO of PUBLICA and the Head of Asset Management attend meetings of the Investment Committee in a consultative capacity with no voting rights.<sup>24</sup>

## **Art. 6 Tasks of the Investment Committee**

The Investment Committee:

- a) recommends the Strategic Asset Allocations to the Board of Directors;
- b) oversees compliance with the Investment Guidelines and the Strategic Asset Allocations;
- c) conducts a regular exchange of information with the head of Asset Management;
- d) conducts a regular exchange of information with the Investment Controller and discusses the latter's reports with it;
- d<sup>bis</sup>)<sup>25</sup> approves the specific benchmarks for each asset class;
- d<sup>ter</sup>)<sup>26</sup> regularly monitors the key assumptions of the ALM process (in particular the risk/return assumptions for each asset class) and decides whether a review of the Strategic Asset Allocation(s) should be initiated;
- e) approves the investment vehicle, type of implementation and external or internal asset managers for each asset class;<sup>27</sup>
- f) applies to the Board of Directors for individual investments or transactions falling within its remit;
- g) ensures oversight of the activities of external and internal asset managers;<sup>28</sup>
- h) approves the choice of property managers for directly held real estate in Switzerland;<sup>29</sup>
- i) approves direct real estate transactions in Switzerland<sup>30</sup> (acquisitions, disposals, projects) with an investment value up to CHF 100<sup>31</sup> million as well as purchases of land without a project to be voted on up to a value of CHF 25<sup>32</sup> million;
- j) reports periodically to the Board of Directors on the asset situation and management;
- k) forwards the Investment Controller's reports to the Board of Directors;
- l) immediately informs the Chair of the Board of Directors of any deviations from the Investment Guidelines and/or the Strategic Asset Allocations, as soon as these are detected.

---

<sup>24</sup> Amended on 22 November 2012.

<sup>25</sup> Inserted on 22 November 2016.

<sup>26</sup> Inserted on 22 November 2016.

<sup>27</sup> Amended on 8 May 2019.

<sup>28</sup> Amended on 8 May 2019.

<sup>29</sup> Amended on 8 May 2019.

<sup>30</sup> Amended on 22 November 2016.

<sup>31</sup> Amended on 22 November 2012 and 23 June 2017.

<sup>32</sup> Amended on 22 November 2016 and 23 June 2017.

## **Art. 7** **Passing of resolutions**<sup>33</sup>

- 1 The Investment Committee passes its resolutions on the basis of a simple majority of the members present.
- 2 In the event of a tie, the Chair has the casting vote.
- 3 The Investment Committee may pass resolutions by circular letter. Such resolutions require a majority of two thirds of the members.<sup>34</sup>

## **Art. 8** **Asset Management**

The Asset Management department:

- a) is responsible for the Tactical Asset Allocation, i.e. allocation to the various asset classes and the individual asset managers (portfolios) within the predefined ranges;
- b) applies to the Investment Committee for internal and external asset managers;
- c) enters into the agreements<sup>35</sup> with the external asset managers following their approval by the Investment Committee and issues the required instructions for internal asset managers;
- d) has its relevant teams carry out the investments for the internal mandates approved by the Investment Committee in accordance with the instructions approved by the Investment Committee for each mandate;
- e) acts as the point of contact for external asset managers;
- f) coordinates day-to-day operations with the custodian banks;
- g) oversees the entire assets and the internal and external mandates and reports regularly to the Investment Committee;
- h) immediately informs the Investment Committee of any deviations from the Investment Guidelines and/or the Strategic Asset Allocations, as soon as these are detected;
- i) prepares <sup>36</sup>direct property transactions <sup>37</sup>in Switzerland and presents these to the Investment Committee and/or Board of Directors for approval;
- j) drafts a summary report on the outcome of <sup>38</sup>direct property investments;
- k) is responsible for providing cash resources as needed;
- l) informs the Investment Committee of the acquisition and disposal of holdings in companies that give rise to a legal reporting requirement;
- m) keeps the minutes of the Investment Committee's meetings and drafts its agendas;
- n) assesses new investment opportunities on an ongoing basis.

## **Art. 9** **Investment Controller**

- 1 The external body charged with overseeing the investments (Investment Controller) may not be either an asset manager or custodian.
- 2 The Investment Controller:

---

<sup>33</sup> Inserted on 22 November 2012.

<sup>34</sup> Amended on 8 May 2019.

<sup>35</sup> Amended on 8 May 2019.

<sup>36</sup> Inserted on 22 November 2016.

<sup>37</sup> Inserted on 8 May 2019.

<sup>38</sup> Inserted on 22 November 2016.

- a) oversees the implementation of the Strategic Asset Allocations and the investment process;
- b) monitors the activities of the external and internal asset managers on an ongoing basis;
- c) oversees compliance with the Investment Guidelines and reports to the Investment Committee on the performance and on compliance with the internal investment guidelines and the legal investment provisions;
- d) includes all asset classes<sup>39</sup> in its reporting.

#### **Art. 10 Custodians**

- 1 One or more banks are appointed Global Custodians for the deposit of movable assets.
- 2 The custodian(s) is/are responsible for:
  - a) proper processing of basic global custody services, in particular:
    - securities safekeeping,
    - conducting all securities transactions,
  - b) ensuring proper business relations with the asset managers;
  - c) drafting and preparing all the information (reporting) on movable assets required for monitoring the asset managers and for investment controlling, in particular:
    - calculating the investment returns of the various asset managers, asset classes and the overall portfolio, as well as the corresponding benchmark indices and investment risks,
    - presenting the composition of the individual portfolios of the asset managers, asset classes and the overall portfolio and the corresponding benchmark indices;
  - d) supplying the data required for the maintenance of<sup>40</sup> legally compliant securities accounting;
  - e) securities lending.
- 3 The tasks of the Global Custodian(s) will be laid down in separate service level agreements.

#### **Art. 11 Asset managers**

- 1 Teams from the Asset Management department or external asset managers are appointed or commissioned to manage the movable assets.
- 2 ....<sup>41</sup>
- 3 The asset managers are individually responsible for investing and managing specific portfolios, which are <sup>42</sup>normally held with the Global Custodian(s).
- 4 The asset managers will be given clearly defined mandates for each portfolio. Internally, this takes the form of instructions; for external managers, an investment management agreement is issued.
- 5 In addition to the standard arrangements, each mandate must also specify at least the following points: size of the mandate, target of the mandate, investment parameters, admissible assets, benchmark (generally, neutral weighting with tactical ranges), investment percentage (max. 100%), use of derivative instruments, performance calculation method, content and frequency

---

<sup>39</sup> Amended on 22 November 2016.

<sup>40</sup> Amended on 22 November 2016.

<sup>41</sup> Deleted on 22 November 2016 (see. Art. 3 let. b).

<sup>42</sup> Inserted on 22 November 2016.

of reports, liability and compensation for damage, costs (exhaustive list), start (transition date) and termination of the mandate, cooperation with the Global Custodian(s).<sup>43</sup>

<sup>6</sup> Only banks and financial intermediaries governed by relevant financial market or supervisory legislation in Switzerland or abroad are appointed as external asset managers.<sup>44</sup>

<sup>7</sup> Instead of entrusting asset managers with the management of individual portfolios, investments may also be made in investment funds or with investment foundations or alternative funds,<sup>45</sup> in derivatives and in structured products; these may be made via the appointed asset managers or directly by the Asset Management department.

#### **Art. 12 Property managers<sup>46</sup> for directly held real estate in Switzerland**

<sup>1</sup> The running and management of property investments may be delegated to third-party companies.<sup>47</sup>

<sup>2</sup> One or more property managers are commissioned by the Asset Management department, upon approval by the Investment Committee, and are responsible for optimising the management and leasing of the properties.

<sup>3</sup> The tasks and duties will be set forth in a separate service level agreement with the property managers. This contract must cover at least the following points: start and termination of the mandate (contract period), purpose of the mandate, list of the properties to be entrusted, scope of authority in dealing with lessees, scope of authority in dealing with caretakers, proposals with respect to renovations, redevelopment projects, acquisitions, disposals of properties, obligation to draw up a property budget, spending authority, letting / rental policy, accounting, maintenance work, insurance, content and frequency of reports, fees.

<sup>4</sup> The property manager reports to the Asset Management department on the dates specified by the Investment Committee.

#### **Art. 13 Securities<sup>48</sup> accounting**

<sup>1</sup> Securities<sup>49</sup> accounting covers investment accounting for the various asset classes<sup>50</sup> outlined in these Investment Guidelines.

<sup>2</sup> The Finance division is responsible for the correct and timely integration of securities accounting and for monitoring the parties involved.<sup>51</sup>

<sup>3</sup> ...<sup>52</sup>

---

<sup>43</sup> Amended on 22 November 2012 and 8 May 2019.

<sup>44</sup> Amended on 18 October 2013.

<sup>45</sup> Inserted on 22 November 2016.

<sup>46</sup> Inserted on 8 May 2019.

<sup>47</sup> Amended on 8 May 2019.

<sup>48</sup> Amended on 22 November 2016.

<sup>49</sup> Amended on 22 November 2016.

<sup>50</sup> Amended on 22 November 2016.

<sup>51</sup> Amended on 22 November 2016.

<sup>52</sup> Deleted on 22 November 2016.

### **3. Chapter                      Structuring of assets**

#### **Art. 14                              Strategic Asset Allocations**

- <sup>1</sup> The Board of Directors sets forth in a separate document the Strategic Asset Allocation for the closed pension funds as a whole, the Strategic Asset Allocation for the open pension funds as a whole, and the Strategic Asset Allocation for the PUBLICA Collective Institution as service provider and insurer (Article 11 paragraph 3 letter d PUBLICA Act). This states in binding terms the framework for investing PUBLICA's entire assets.
- <sup>2</sup> The Strategic Asset Allocations are determined by:
  - a) the financial situation of the pension funds or of the PUBLICA Collective Institution as service provider and insurer
  - b) the structure and expected development of the pool of active members / <sup>53</sup>pension recipients
  - c) the target return
  - d) PUBLICA's risk tolerance
  - e) the expected risk and return of the individual asset classes and their correlation.
- <sup>3</sup> The Strategic Asset Allocations are reviewed periodically, at least once every four<sup>54</sup> years, and adapted as necessary.

#### **Art. 15                              Asset classes**

- <sup>1</sup> The Strategic Asset Allocations are conducted on the basis of asset classes into which the various assets are divided.
- <sup>2</sup> The main asset classes are as follows:
  - a) cash and money market instruments
  - b) bonds and other debt instruments in Swiss francs
  - c) bonds and other debt instruments in foreign currencies
  - d) mortgages
  - e) shares and other equity instruments in Switzerland
  - f) shares and other equity instruments abroad
  - g) direct <sup>55</sup>and indirect property investments in Switzerland
  - h) ...<sup>56</sup>
  - i) <sup>57</sup>direct and indirect property investments abroad
  - j) alternative investments
- <sup>3</sup> The Strategic Asset Allocations assign a certain percentage of the assets to the individual asset classes. This sets a target value with specific minimum and maximum values for each asset class and for foreign currencies.

---

<sup>53</sup> Inserted on 22 November 2016.

<sup>54</sup> Amended on 22 November 2016.

<sup>55</sup> Inserted on 22 November 2016.

<sup>56</sup> Deleted on 22 November 2016.

<sup>57</sup> Inserted on 22 November 2016.

## **4. Chapter                      Investments**

### **Art. 16                              Investment selection**

- 1 Each investment must be manageable for PUBLICA having regard to available knowledge, processes and structures, size and reputation.
- 2 Investments<sup>58</sup> are selected in accordance with a transparent and documented process.
- 3 ....<sup>59</sup>
- 4 <sup>60</sup>All information on ratings and classification into investment grade and sub-investment grade in this document relates to the definitions used by Standard & Poor's Ratings Services and Moody's Investors Service. The Investment Committee may define further sources for external ratings and the methodology for their use at any time in separate rating guidelines.

### **Art. 17                              Cash and money market instruments**

- 1 Cash in banks and postal cheques, time deposits and other money market instruments in Swiss francs and foreign currencies may only be held with debtors with a short-term rating of at least A-1/P-1 or equivalent<sup>61</sup>with Swiss Post, the Swiss National Bank, the Swiss Confederation<sup>62</sup>and with Swiss cantons, cantonal banks and Swiss communes (including cities) with a long-term rating of at least A-/A3<sup>63</sup> or equivalent.
- 2 Repo transactions may be conducted for the purpose of controlling liquidity.

### **Art. 18                              <sup>64</sup>Investment-grade bonds industrialised nations**

- 1 Investment-grade bonds and other such debt instruments must have a minimum rating of BBB-/Baa3<sup>65</sup> or equivalent.<sup>66</sup>
- 2 Generally, a<sup>67</sup> maximum of 10 percent may be held in outstanding bonds from individual debtors. <sup>68</sup>No more than 20 percent of the outstanding bonds of the Swiss Confederation, Swiss cantons, cantonal banks, Swiss communes (including cities) and debtors with a guarantee from the Confederation or a canton with a long-term rating of at least A-/A3 or equivalent may be held. The Investment Guidelines<sup>69</sup> set the upper limits for each debtor category (market value as a percentage of total bond investments), taking account of debtor quality.

---

<sup>58</sup> Amended on 22 November 2016.

<sup>59</sup> Deleted on 22 November 2016.

<sup>60</sup> Inserted on 8 May 2019.

<sup>61</sup> Amended on 8 May 2019.

<sup>62</sup> Inserted on 22 November 2016.

<sup>63</sup> Amended on 8 May 2019.

<sup>64</sup> Inserted on 22 November 2016.

<sup>65</sup> Amended on 8 May 2019.

<sup>66</sup> Amended on 8 May 2019.

<sup>67</sup> Amended on 22 November 2016.

<sup>68</sup> Inserted on 22 November 2016 and amended on 8 May 2019.

<sup>69</sup> Amended on 8 May 2019.

<sup>3</sup> Any deviations from the limits are presented to the Investment Committee for authorisation. Additional investment restrictions are set forth in the investment management agreement.

#### **Art. 19 Sub-investment-grade bonds**

For bonds and other debt instruments with a rating below investment grade, limits are defined in the investment guidelines at portfolio level in the investment management agreement, or in the instructions for internal asset managers.

#### **Art. 20 Bonds from emerging markets**

For bonds and other debt instruments from emerging markets, limits are defined in the investment guidelines at portfolio level in the investment management agreement, or in the instructions for internal asset managers.

#### **Art. 21 Mortgages**

<sup>1</sup> Financing is available for real estate used for residential or office premises, sales/commerce (service) as well as retirement homes and student accommodation.<sup>70</sup> Exceptions may be approved by the Asset Management department.

<sup>2</sup> ....<sup>71</sup>

<sup>3</sup> In addition to the valuation of the mortgaged property, the credit quality of the debtors must be carefully assessed and reviewed at regular intervals.

#### **Art. 22 Equities**

<sup>1</sup> Investments in shares and other equity instruments are primarily made in readily marketable securities listed on a recognised stock exchange, and replicate broad<sup>72</sup> indices.

<sup>2</sup> However, investments in equities may also be made by way of investment funds.

<sup>3</sup> Separate rules for investments in shares and other equity instruments of small-capitalisation companies and of companies in emerging markets are set forth in the investment management agreements.

#### **Art. 23 Direct property investments**

<sup>1</sup> Direct property investments may be made in<sup>73</sup> Switzerland <sup>74</sup>and Europe.

<sup>2</sup> The investments <sup>75</sup>in Switzerland must be reasonably diversified, by geographical location, type of use and size. PUBLICA's stake in any one property must not exceed 10 percent of its direct<sup>76</sup> property portfolio.

---

<sup>70</sup> Amended on 22 November 2016.

<sup>71</sup> Deleted on 22 November 2016.

<sup>72</sup> Amended on 22 November 2012 and 22 November 2016.

<sup>73</sup> Amended on 22 November 2016.

<sup>74</sup> Inserted on 22 November 2016.

<sup>75</sup> Inserted on 8 May 2019.

<sup>76</sup> Inserted on 22 November 2016.

<sup>2bis77</sup>Limits for investments in Europe are defined in the investment guidelines at portfolio level in the investment management agreements.

<sup>3</sup> Admissible <sup>78</sup>Swiss investments are defined in a separate <sup>79</sup>Swiss property strategy document.

<sup>4</sup> The market value of all<sup>80</sup> direct investments must be assessed yearly by an independent expert valuation using a standard and transparent method (generally the Discounted Cash Flow method).<sup>81</sup>

#### **Art. 24 Indirect property investments**

PUBLICA makes indirect property investments in Switzerland and abroad by participating in collective investment instruments such as investment<sup>82</sup> foundations, funds and property companies.

#### **Art. 25 Alternative investments**

<sup>1</sup> Investments may be made in private debt,<sup>83</sup> private equity, commodities (incl. precious metals<sup>84</sup>), <sup>85</sup>ILSs (insurance linked securities), <sup>86</sup>foreign mortgages (private real estate debt) and infrastructure projects.

<sup>2</sup> Such investments may be made directly, <sup>87</sup>via derivatives, via collective investment instruments or by way of structured products.

<sup>3</sup> Each individual alternative investment must be carefully examined in advance with regard to the professionalism and creditworthiness of the issuers or the management, the investment strategy, the clarity of the legal situation, the redeemability and the inherent risks. The results of the examination must be recorded in writing in a memo. <sup>88</sup>Limits to ensure adequate diversification at the level of the overall portfolio are defined in the investment guidelines for the mandates.

#### **Art. 26 Currencies**

<sup>1</sup> The Strategic Asset Allocations set forth the limits for investments in various currencies.

<sup>2</sup> <sup>89</sup>Derivative instruments may be used to remain within the limits.

---

<sup>77</sup> Inserted on 8 May 2019.

<sup>78</sup> Inserted on 8 May 2019.

<sup>79</sup> Inserted on 8 May 2019.

<sup>80</sup> Amended on 22 November 2016.

<sup>81</sup> Amended on 22 November 2012 and 22 November 2016.

<sup>82</sup> Amended on 22 November 2016.

<sup>83</sup> Inserted on 22 November 2016.

<sup>84</sup> Amended on 8 May 2019.

<sup>85</sup> Inserted on 22 November 2016.

<sup>86</sup> Inserted on 8 May 2019.

<sup>87</sup> Inserted on 22 November 2016.

<sup>88</sup> Inserted on 22 November 2016.

<sup>89</sup> Amended on 22 November 2016.

#### **Art. 27 Derivatives**

Derivatives may be used to mitigate investment risks or to improve the efficiency of asset management. They must be traded on a recognised stock exchange, or normally be collateralised.<sup>90</sup> The counterparty for derivatives without additional collateral must be a bank with a short-term rating of at least A-1/P-1 or equivalent.<sup>91</sup> In the case of derivatives backed by collateral, the counterparty must be a bank with a short-term rating of at least A-2/P-2 or equivalent.<sup>92</sup>

#### **Art. 28 Securities lending**

To improve returns, securities may be lent to counterparties with a short-term rating of at least A-1/P-1 or equivalent.<sup>93</sup> The securities lent must be secured by means of collateral. The details of such transactions will be set forth in a securities lending agreement.

### **5. Chapter Miscellaneous**

#### **Art. 29 Exercise of voting rights for equities held**

<sup>1</sup> For Swiss equities that are directly held (in the portfolios), the voting rights are exercised.

<sup>1bis</sup><sup>94</sup> For equities of foreign companies that are directly held (in the portfolios), the voting rights may be exercised.

<sup>2</sup> The Investment Committee decides on the voting behaviour.

<sup>3</sup> The voting rights are exercised in the long-term interests of the active members and pension recipients,<sup>95</sup> and with a view to ensuring that the enterprise value of the company concerned is maximised over the long term.

<sup>4</sup> If a majority of all members of the Investment Committee does not reach an agreement before the shareholders' meeting of the company in question, the voting rights will not be exercised.

<sup>5</sup> Voting behaviour is disclosed on the PUBLICA website.<sup>96</sup>

<sup>6</sup> <sup>97</sup>

#### **Concluding provisions**

#### **Art. 30 Replacement of existing Investment Guidelines**

<sup>1</sup> These Investment Guidelines replace in full the PUBLICA Investment Guidelines dated 25 October 2007.

---

<sup>90</sup> Amended on 19 January and 22 November 2012.

<sup>91</sup> Amended on 8 May 2019.

<sup>92</sup> Inserted on 19 January 2012.

<sup>93</sup> Amended on 8 May 2019.

<sup>94</sup> Inserted on 8 May 2019.

<sup>95</sup> Inserted on 18 October 2013.

<sup>96</sup> Amended on 22 November 2012 and 18 October 2013.

<sup>97</sup> Deleted on 8 May 2019.

**Art. 31 Entry into force**

- <sup>1</sup> These Investment Guidelines enter into force on 15 April 2010.
- <sup>2</sup> The amendments dated 19 January 2012 enter into force by resolution of the Board of Directors on 19 January 2012.
- <sup>3</sup> The amendments dated 22 November 2012 enter into force by resolution of the Board of Directors dated 22 November 2012.
- <sup>4</sup> The amendments dated 18 October 2013 enter into force by resolution of the Board of Directors dated 18 October 2013.
- <sup>5</sup> The amendments dated 22 November 2016 enter into force by resolution of the Board of Directors dated 22 November 2016.
- <sup>6</sup> The amendments dated 23 June 2017 enter into force by resolution of the Board of Directors dated 23 June 2017.
- <sup>7</sup> The amendments dated 8 May 2019 enter into force by resolution of the Board of Directors dated 8 May 2019.
- <sup>8</sup> The amendments dated 12 June 2020 enter into force by resolution of the Board of Directors dated 12 June 2020.

On behalf of the Board of Directors of PUBLICA

Chair:



Prisca Grossenbacher

Vice-Chair:



Matthias Remund