

## Compliance Regulations, 23 August 2012

(as amended on 10 April 2014)<sup>1</sup>

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<sup>1</sup> On 10 April 2014, the Board of Directors approved an amendment to Article 12. The changes are indicated by footnotes.

## *The Board of Directors of PUBLICA*

based on Article 11 paragraph 3 of the PUBLICA Act<sup>2</sup>, Article 51a - 51c BVG<sup>3</sup>, Article 48f - 48/ BVV 2<sup>4</sup>, Articles 20, 21 paragraph 3 and Article 22a FPA<sup>5</sup> as well as Article 44 ff. of the PUBLICA staff regulations<sup>6</sup>

*hereby issues the following Regulations:*

### **Chapter 1                      *Basic principle, purpose and scope of application***

#### **Art. 1                              *Basic principle and purpose***

- <sup>1</sup> The supreme objective of the activities of PUBLICA is to safeguard the interests of insured members and pension recipients in the context of occupational old age, survivors' and disability pension provision.
- <sup>2</sup> PUBLICA manages the pension assets entrusted to it by insured members on a fiduciary basis. For this reason, the conduct of all officers and staff of PUBLICA must meet high ethical standards.
- <sup>3</sup> The Swiss Federal Pension Fund PUBLICA is a member of the Swiss Pension Funds Association ASIP. ASIP's code of conduct, the ASIP Charter, is binding on all its members. Every member undertakes to ensure compliance with its principles and to take the measures necessary to achieve this.
- <sup>4</sup> These Regulations set out the duties and provisions necessary to ensure compliance with the loyalty and integrity rules of the BVG and its implementing provisions as well as the principles of the ASIP Charter.
- <sup>5</sup> The purpose of these Regulations is to:
  - a) create a shared understanding of compliance and operational risks;
  - b) raise awareness of compliance and operational risks among all members of PUBLICA staff, and
  - c) prevent breaches of laws, regulations and standards.
- <sup>6</sup> The ASIP Charter is an integral component of these Regulations, except where the provisions of the Regulations are more stringent.

#### **Art. 2                              *Definition of compliance***

- <sup>1</sup> Compliance is the sum of all the structures and processes which ensure that PUBLICA and its representatives comply with all relevant laws, regulations, codes of conduct and standards of good practice (laws, regulations and standards), with the aim of avoiding legal sanctions, financial losses and reputational damage.
- <sup>2</sup> Paragraph 1 also applies, *mutatis mutandis*, to the avoidance of operational risks. Operational risks are risks of loss that arise as a result of the inadequacy or failure of internal processes,

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<sup>2</sup> SR 172.222.1

<sup>3</sup> SR 831.40

<sup>4</sup> SR 831.435.1

<sup>5</sup> SR 172.220.1

<sup>6</sup> SR 172.220.115

persons or systems, or due to external events. Operational risks do not necessarily involve a breach of laws, regulations and standards.

### **Art. 3**                      **Scope of application**

These Regulations apply to:

- a) the members of the PUBLICA Board of Directors and its committees;
- b) the members of the Executive Board of PUBLICA and the Extended Executive Board of PUBLICA;
- c) all other staff of PUBLICA;
- d) external business partners who receive procurement orders from PUBLICA or who are in a mandate relationship with PUBLICA.

## **Chapter 2**                      **Organisation**

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

- <sup>1</sup> The Audit Committee oversees the management of compliance and operational risks and reports on this to the Board of Directors. At least once a year, the Executive Board issues a report on PUBLICA's compliance policy and its implementation.
- <sup>2</sup> In the event of material breaches of laws, regulations and standards, the Board of Directors and Audit Committee must be informed without delay.

### **Art. 5**                      **Executive Board**

- <sup>1</sup> The implementation of a consistent compliance culture within PUBLICA is a central task of management.
- <sup>2</sup> The Executive Board
  - a) defines PUBLICA's compliance policy and oversees its implementation. The Executive Board also reviews whether PUBLICA's compliance policy is still appropriate, and makes amendments where required;
  - b) identifies, assesses and monitors compliance and operational risks in connection with the business activities of PUBLICA and reports on this to the Audit Committee;
  - c) structures and organises key processes in such a way as to ensure that no conflicts of interest arise and that the dual oversight principle is adhered to.
- <sup>3</sup> Heads of division
  - a) set down in writing the measures necessary to implement and comply with laws, regulations and standards in their division, as well as for the management of operational risks that can have a material impact on the continuity of business operations and/or the reputation of PUBLICA;
  - b) oversee compliance with these measures, review periodically whether they are still appropriate, and amend them where necessary;
  - c) provide regular reports to the Executive Board on these issues;
  - d) provide regular information to their staff on the relevant laws, regulations and standards;

- e) ensure that their staff have the necessary qualifications, experience, personal and specialist skills they need to fulfil their tasks, as well as access to the necessary resources.

#### **Art. 6 Compliance in Asset Management**

- <sup>1</sup> The Head of Asset Management is responsible for ensuring compliance with the Investment Guidelines and Strategic Asset Allocation.
- <sup>2</sup> Before every transaction, asset managers must assess whether it complies with PUBLICA's Investment Guidelines and Strategic Asset Allocation.
- <sup>3</sup> Risks entered into are monitored independently of the asset manager.
- <sup>4</sup> Transactions are processed on a "best execution" basis, documented and controlled.
- <sup>5</sup> Portfolio management and back office carry out their tasks independently of each other and are organisationally separated.

#### **Chapter 3 Material advantages**

#### **Art. 7 Gifts and invitations**

- <sup>1</sup> Subject to paragraph 3, no person subject to these Regulations may receive a material advantage that goes beyond the contractually agreed compensation (salary, fee, income from approved ancillary activities that they are not required to surrender).
- <sup>2</sup> Staff of PUBLICA are subject to the ban on accepting gifts set out in the Federal Personnel Act and the PUBLICA staff regulations.
- <sup>3</sup> Courtesy gifts and other socially customary advantages are not considered gifts or concessions. The terms "courtesy gifts" and "socially customary advantages" include one-off gifts and invitations with a maximum value of CHF 200 per instance and CHF 2000 per year in total from a variety of sources. The above must be read subject to paragraphs 5 to 7.
- <sup>4</sup> In the event that any of the limits set out in paragraph 3 is exceeded, this must be reported to the Director, who may approve amounts slightly in excess of the stipulated thresholds in individual cases. In respect of the Director, approval must be given by the Chair and Vice-Chair of the Board of Directors.
- <sup>5</sup> Invitations to events at which the benefit for PUBLICA is the primary consideration (specialist seminars, presentations) may be accepted. If a social function forms part of the event programme, it may be attended provided it has an appropriate relationship to the specialist part or serves as an opportunity to represent PUBLICA. Overnight accommodation must in all cases be paid by the staff member themselves or by PUBLICA.
- <sup>6</sup> Under no circumstances may pecuniary advantages in the form of monetary benefits (vouchers, credits, etc.), kick-backs, retrocessions or similar payments be accepted either for the staff member themselves or for others. This prohibition also applies to monetary benefits of any type supplied to closely associated persons. Any payments of this type that are received must be returned immediately. The Chair and Vice-Chair of the Board of Directors must be informed without delay.

- <sup>7</sup> Gifts and invitations offered as part of a tender for orders from PUBLICA must be rejected in their entirety. This does not apply to food and drink consumed by participants in the course of negotiations.

#### **Art. 8 Retrocessions**

- <sup>1</sup> In every agreement with an external asset manager (Art. 9 para. 2), PUBLICA stipulates that no retrocessions or the like may be accepted from the latter.
- <sup>2</sup> With respect to collective investments,
- a) retrocessions and the like are subject to a duty of information and disclosure, and
  - b) any retrocessions and the like are to be surrendered to PUBLICA.

#### **Art. 9 Internal and external asset managers, external asset management companies**

- <sup>1</sup> Internal asset managers are persons employed by PUBLICA who
- a) are directly involved in the management of the pension assets entrusted to PUBLICA (purchase and sale of securities and real estate), or
  - b) act as advisors in respect of the transactions mentioned in letter a), or
  - c) possess corresponding supervisory powers, or
  - d) carry out administrative (back office) tasks in connection with investment activity.
- <sup>2</sup> External asset managers or asset management companies are persons or companies mandated by PUBLICA to carry out the tasks listed in paragraph 1.
- <sup>3</sup> Within the context of these Regulations, internal and external asset managers and asset management companies are placed on an equal footing and are expected to satisfy the same requirements.

#### **Art. 10 Regulation of trading activities (own-account trading)**

- <sup>1</sup> The aim of regulating trading activities is to prevent PUBLICA suffering any loss or damage as a result of own-account trading, and to ensure that no personal pecuniary advantages are obtained.
- <sup>2</sup> Own-account trading covers all transactions by persons and institutions responsible for managing the pension assets entrusted to PUBLICA that involve investment vehicles and instruments and that are conducted on that person or institution's own account and in their own name.
- <sup>3</sup> Own-account trading is permitted provided it is not improper.

#### **Art. 11 Improper own-account trading**

- <sup>1</sup> Own-account trading is deemed improper in particular if
- a) transactions by PUBLICA involving identical or similar investment instruments have a material influence on the market and
  - b) the own-account transaction is carried out within 48 hours before or after a comparable transaction is carried out by PUBLICA and
  - c) the party concerned was aware of the corresponding transaction by PUBLICA.



- <sup>2</sup> In the event of a persistent conflict of interest or an interest deemed unacceptable, the person concerned must be relieved of their function or the business relationship terminated.

**Art. 15**                      **Attending committee meetings of business partners or other pension institutions**

Attendance by representatives of PUBLICA at committee meetings of business partners or other pension institutions requires the approval of the Board of Directors.

**Chapter 5**                      ***Implementation, confirmation of compliance, procedure in the event of breaches, consequences***

**Art. 16**                      **Implementation**

- <sup>1</sup> PUBLICA makes the current version of these Regulations available to all persons subject to them.
- <sup>2</sup> Employees and officers of PUBLICA also receive a copy of the ASIP Charter.
- <sup>3</sup> Employees and officers of PUBLICA receive instruction as to the application of these Regulations upon taking up their position or office, and at regular intervals thereafter.
- <sup>4</sup> By signing the confirmation of receipt, persons subject to these Regulations undertake to comply with the rules contained within them.

**Art. 17**                      **Confirmation of compliance**

- <sup>1</sup> Once a year, all persons stipulated in Art. 3 letters a) – c) must disclose their interests (cf. Art. 13) and confirm that they have complied with all aspects of these Regulations.
- <sup>2</sup> PUBLICA may also request the disclosure and confirmation stipulated in paragraph 1 from the persons stipulated in Art. 3 letter d).
- <sup>3</sup> The Board of Directors, Audit Committee and statutory auditors are notified of the result of the annual confirmations.

**Art. 18**                      **Reporting of breaches**

Employees of PUBLICA are required to report breaches of these Regulations to the whistle-blowing officer (Chair of the Audit Committee).

**Art. 19**                      **Sanctions**

- <sup>1</sup> Where impermissible pecuniary advantages have been obtained, PUBLICA will require the person concerned to surrender them.
- <sup>2</sup> Any breach of these Regulations by members of PUBLICA staff will result in consequences under employment law (cf. Art. 53 of the PUBLICA staff regulations).
- <sup>3</sup> In serious cases, or in the event of repeated breaches, the employee's contract of employment may be terminated without notice (Art. 12 para. 7 FPA<sup>9</sup>).

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<sup>9</sup> SR 172.220.1

- <sup>4</sup> Any breach of the terms of these Regulations by persons or institutions mandated by PUBLICA that are subject to the Regulations may result in the immediate cancellation of the mandate.
- <sup>5</sup> PUBLICA will also file a criminal complaint in the event of circumstances covered by the criminal law.

**Chapter 6**                      **Concluding provision**

**Art. 20**

These Regulations replace the Compliance Regulations of 24 February 2005 and enter into force on 23 August 2012 following approval by the Board of Directors.

The Chairman

The Vice-Chairman

Fred Scholl

Matthias Remund