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Investment Regulations

Tellco Pension Solutions 1e

Tellco Pension Solutions 1e
Bahnhofstrasse 4
Postfach 713
6431 Schwyz
+41 58 442 64 00
vorsorge1e@tellco.ch
tellco.ch

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Based on the Foundation deed, the Board of Trustees passes the following investment regulations:

Chapter 1: Basic principles

1 Purpose and scope

- 1.1 These regulations set out the general asset management policy of Tellco Pension Solutions 1e (hereinafter referred to as the «Foundation»).
- 1.2 They will be reviewed at least annually and, where appropriate, adjusted.

2 Principles governing asset management

- 2.1 The Foundation will define the investment strategies.

These investment strategies, which can be selected by the individual insured persons, have different risk profiles, but a minimum of one strategy must fulfil the conditions set out in Swiss Occupational Pensions Ordinance 2 (hereinafter the «OPO 2» – Verordnung über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge, BVV 2) Article 53a (low-risk investments). Each individual insured person selects an appropriate investment strategy that has been adjusted to meet his/her ability or willingness to take risks.

- 2.2 In respect of the investment solutions pursuant to OPO 2 Article 1e (1e Investments), the choice of investment strategies offered by the pension provider for selection (maximum of 10) can be found in the corresponding strategy sheet. The policyholder selects his/her investment strategy using the strategy sheet.
- 2.3 In connection with asset management, all statutory and regulatory investment regulations and provisions, in particular those set out in the Swiss Occupational Pensions Act (hereinafter the «OPA» – Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge, BVG) and the OPO 2, must be adhered to at all times.

When defining the investment strategies, the long-term risk and return characteristics of the various investment categories must be taken into account.

- 2.4 Permissible investments

The pension assets can be invested in:

A Cash and cash equivalents

B Receivables denominated in a fixed monetary amount

- Cash at bank;
- Money market investments with a term of up to 12 months;
- Medium-term notes;
- Bonds, including those carrying conversion or option rights;
- Secured bonds;
- Swiss mortgage titles;
- Acknowledgements of debt from Swiss public-sector entities.

C Equities, participation certificates, profit participation shares and similar securities and participating interests, as well as cooperative share certificates; participating interests in companies are permitted if they are listed on a stock exchange or are traded on another regulated market that is open to the public



D Alternative investments without an obligation to make additional contributions such as hedge funds, private equity, insurance-linked securities, commodities and infrastructure

Alternative investments may only be made by way of diversified collective investment schemes, diversified certificates or diversified structured products.

Non-diversified collective investment schemes may be used for alternative investments insofar as the collective investments are subject to the supervision of the Swiss Financial Market Supervisory Authority (FINMA) or have been licensed for sale in Switzerland. A maximum of 5% of the pension assets can be invested per investment strategy and investment.

2.5 Forms of implementation

2.5.1 Asset managers

The Foundation only entrusts the investment and management of pension assets to persons and institutions authorised and organised such that they can guarantee compliance with the provisions of OPO 2 Articles 48f and 48g. The Board of Trustees decides on whether to accredit an asset manager. The asset manager and the Foundation will conclude a written asset management agreement for each investment strategy setting forth the investment strategy, ranges, responsibilities and conditions. Such agreement must expressly stipulate that OPO 2 Articles 49 to 58 apply *mutatis mutandis*.

The tasks of the asset manager are:

- a) implementation of the investment strategy based on the policyholder's instructions in line with the risk profile;
- b) monitoring of the statutory and regulatory framework conditions;
- c) preparation of the quarterly reporting to the Board of Trustees.

2.5.2 Investment advisers

The provisions set out in section 2.5.1 apply to investment advisers.

The investment adviser's tasks are set out in the advisory agreement and include the provision of information to the pension fund commission concerning the risks of the investments.

2.5.3 The Foundation ensures compliance with the investment guidelines and the provisions of OPO 2 at all times and that a periodic review is carried out. In addition, it checks the performance of the investment strategies and the costs incurred by the policyholders as a result of the investment at periodic intervals. It also monitors the custodians.

2.6 The Foundation defines the objectives and principles, as well as the guidelines for investment implementation and monitoring in a transparent manner so that the joint body can perform its management duties in full.

The Foundation defines the rules that apply to the exercise of its shareholder rights.

2.7 All individuals entrusted with the administration, management or supervision of the Foundation are responsible for the damage that they cause either intentionally or as a result of negligence.

2.8 Extension of investment options

2.8.1 Based on Article 50(4) of the OPO 2, the Foundation also offers the pension provider an extension of the permissible investments subject to compliance with Articles 2.8.2 et seq. and 2.9 of these investment regulations.

2.8.2 The Foundation will determine the conditions under which investment options can be extended in each case in keeping with the investment strategy selected by the pension provider.



2.8.3 If the extended investment option pursuant to Article 2.8.2 is utilised, the Foundation and the adviser or the asset manager will explain the specific risks to the pension fund commission.

2.8.4 The Foundation will confirm in its annual financial statements pursuant to Article 50(4) of the OPO 2 that it has complied with the provisions on security and risk diversification pursuant to Article 50(1–3) of the OPO 2.

2.9 Permissible extensions of investment options

Where the strategy has been documented in writing and, in addition, an agreement has been concluded between an adviser or asset manager on the one hand and the Foundation on the other hand, the following extended investment options are available subject to compliance with the principles of diversification.

2.9.1 Investments in diversified foreign currencies

Where investments in foreign currencies are increased to a maximum of 70 %, a maximum of 30 % per currency may be invested in the following tradable and liquid currencies: USD, EUR, GBP, AUD, CAD and YEN.

2.9.2 Investments in shares, similar securities and other holdings

Where investments in shares are increased to a maximum of 100 %, investments may only be made in collective investment schemes or listed investment companies whose net asset value (NAV) is calculated regularly.

2.9.3 Investments in real estate

Investments in real estate must be made through collective investment schemes or listed investment companies whose NAV is calculated regularly.

2.9.4 Alternative investments without an obligation to make additional contributions

These include, among others, hedge funds, investments in commodities, investments in infrastructure, private equity and other similar investments. Alternative investments must be made through collective investment schemes or listed investment companies whose market value or NAV is calculated regularly. Investments in non-diversified collective investment schemes (for example gold ETFs) are limited to a maximum of 5 % of the client's capital.

2.9.5 Investment in a single borrower

A maximum of 20 % of the pension assets may be invested in liquid assets.

2.10 Category limits in the case of extended investment options

For the investment of existing pension assets, the following limits apply in the case of the individual categories of extended investment options pursuant to Articles 2.8 and 2.9:

Investments in diversified foreign currencies	70 %
Maximum 30 % per currency	
Investments in shares, similar securities and other holdings	100 %
Investments in real estate, where a maximum of one-third may be abroad	50 %
Alternative investments	30 %
Non-diversified assets per fund	5 %
Individual limit for liquid assets held at a partner bank	20 %

3 Provisions regarding integrity and loyalty

3.1 The provisions regarding integrity and loyalty are set out in Appendix 3.



Chapter 2: Organisation

4 Board of Trustees

The Board of Trustees is responsible, in particular, for:

- a) defining the investment strategies;
- b) adoption of the investment regulations;
- c) the accreditation of asset managers and investment advisers;
- d) ongoing supervision of asset managers and investment advisers;
- e) adoption of risk-control instruments and procedures;
- f) checking the fulfilment of the disclosure obligation pursuant to OPO2 Article 48I;
- g) has the right, in special cases, to revoke the rights of individual policyholders to choose how they wish to invest their pension capital (immediate revocation) and, if need be, the right to exert direct influence over their investment strategy.

The special cases referred to in section g are:

- Severe crisis on the capital market; a loss of at least 25 % in one investment category within six months, or a loss of at least 10 % across all investment categories within six months;
- Severe political or technological crisis.

5 Management

The management is responsible, in particular, for:

- a) approving the investment strategy selected by the insured person or making a counter-proposal within the framework of the strategies offered by the pension provider;
- b) conclusion of agreements with asset managers and the custodian;
- c) monitoring compliance with statutory and regulatory requirements;
- d) ensuring that appropriate reports are prepared for the Board of Trustees;
- e) obtaining an annual written declaration on personal pecuniary benefits and interests (OPO 2 Article 48I) from all persons and institutions that are involved in asset management.

6 Insured person

The insured person

- selects his/her personal investment strategy from the investment strategies offered by the pension provider taking his/her ability and willingness to take risks into account.
- records the selected investment strategy using the strategy sheet and signs this strategy sheet. By doing so, the insured person confirms that he/she has been informed of the opportunities and risks associated with the investment strategies and capital markets.
- reviews his/her risk profile on a regular basis (at least every five years) and sends the corresponding information to the Foundation.

7 Auditors

The auditors audit the investments. Their tasks are determined by OPA Article 52c and the recommendations of EXPERTsuisse. In particular, they check whether

- the investments comply with the statutory and regulatory provisions;
- the precautions to ensure loyalty in an investment context have been taken and compliance with the loyalty duties is monitored sufficiently by the Board of Trustees;
- OPA Article 51c «Legal transactions with associates» has been adhered to.



8 Pension actuary

The pension actuary checks, on a regular basis whether

- the Foundation offers security to ensure that it can meet its obligations at all times;
- the regulations on actuarial provisions governing payments and financing meet the statutory requirements.

The pension actuary prepares a written report on the results of his/her examination for the Board of Trustees.

9 Administration and management

The administration and management is responsible for:

- a) managing the investments for each investment strategy in the banking system;
- b) entering the investments and income in the financial accounts;
- c) asset valuation in accordance with the OPA;
- d) payment processing;
- e) the due and proper storage of the securities documents for the period specified by law.

10 Exercise of shareholders' voting rights

Normally, the participation rights at foreign public limited companies are not exercised. These rights are only exercised in individual cases at the request of the Board of Trustees.

The following provisions apply to the exercise of the participation rights at public limited companies under the Swiss Code of Obligations (Obligationenrecht, OR) that are domiciled in Switzerland whose shares are traded on a domestic or foreign stock exchange:

- 10.1 The Foundation provides the asset manager with permanent instructions regarding the exercise of the shareholders' voting right when the asset management mandate is granted. The asset manager must exercise the voting right at the company's annual general meeting for the shares held directly by the Foundation for motions that have been announced.

The voting obligation applies to the following agenda items at the annual general meeting:

- a) election of the members of the Board of Directors, the President of the Board of Directors, the members of the remuneration committee and the independent proxy;
- b) provisions of the Articles of Association;
- c) fees that the Board of Directors, the Executive Board and the Advisory Board receive from the company either directly or indirectly;
- d) fees paid to members of the Board of Directors, the Executive Board and the Advisory Board for activities in other companies that are directly or indirectly controlled by the company, insofar as these fees have not been approved by the company's annual general meeting.

There is no voting obligation with regard to the resolutions regarding the approval of the actions of the Board of Directors, the approval of the annual financial statements or capital increases and decreases.

In cases involving collective investments, the voting obligation will be fulfilled if there is an enforceable voting right vis-à-vis the collective investments.

The Foundation must vote in the interests of its policyholders.

Loaned securities are to be recalled in time for the annual general meeting.



The Foundation is entitled to abstain from voting if this is in the interests of the policyholders, i.e. if there are no strong reasons for approving or rejecting the agenda item in question.

- 10.2 The interests of the policyholders are deemed safeguarded if the voting behaviour serves the ongoing development of the pension institution and is sustainable. The term «sustainability» means:
- Healthy financial growth is to be considered more important than a substantial dividend (long-term internal financing of the public limited company).
 - The sustainable financing of the company using equity is to be considered more important than the reimbursement of capital contributions.

As a result, when exercising the voting rights, the Foundation focuses on the principles of returns, security, liquidity and sustainability.

- 10.3 The Foundation must report to its policyholders at least once a year in a consolidated report on how it fulfilled its voting obligation. This disclosure can be made together with the annual financial statement, on the Foundation's website or in another suitable manner.

If the Foundation does not follow the motions put forward by the Board of Directors or if it abstains from voting, it must provide detailed reasons for its voting behaviour in the report.

- 10.4 The Board of Trustees is responsible for passing a resolution on the procedure involved in exercising voting rights and for defining the specific exercise of voting rights. Implementation can – within the context of these requirements – be transferred to a third party (voting rights committee, investment committee, portfolio manager, external voting rights consultant, etc.). In general, the decision is made not to participate in the annual general meetings directly. The services of independent proxies can be used to exercise voting rights in specific cases.

Chapter 3: Controlling

11 Principles governing securities investments and controlling

- 11.1 The Board of Trustees ensures in the case of all of the investment strategies that the investment provisions in OPA Article 71(1) and OPO 2 Article 49–58 are complied with at all times and reviewed at regular intervals.
- 11.2 The Foundation monitors the mandates on a quarterly basis. The Board of Trustees may delegate its monitoring duties to an external investment controller.
- 11.3 The asset accounting department checks the custodian's statements against its own portfolio on a quarterly basis.

12 Valuation rules within the context of reporting

Asset valuation is based on the principles set out in Standard 26 of the Swiss Accounting and Reporting Recommendations (Swiss GAAP FER 26) and the provisions laid down in Appendix 2.



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13 Remuneration system for external asset managers

The asset management costs are to be invoiced in relation to the assets under management.

The asset managers are to be subjected to a contractual obligation to automatically transfer to the Foundation all pecuniary benefits (retrocession fees, finder's fees, portfolio maintenance commission, etc.) that they or their employees receive from third parties (in particular banks, fund distributors, etc.) in connection with the performance of their asset management duties.

Chapter 4: Concluding provisions

14 Entry into force and amendment

These investment regulations were approved by the Board of Trustees and enter into force on 1 May 2018.

Schwyz, 25 April 2018

Tellico Pension Solutions 1e
Board of Trustees

Peter Hofmann
Chairman

Pierre Christen
Member

In case of differing interpretations, the German text is authoritative.



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Appendix 1

Minimum Standard & Poor's rating (S & P)

In accordance with the resolution passed by the Board of Trustees of 19 January 2018, the following minimum S & P ratings are permissible:

Money market	A
CHF bonds domestic and foreign	Investment grade
Global bonds	Investment grade
Loans to public-sector entities	A
OTC transactions	A
Account balances	A (exception: settlement accounts with custodians)

Where there is no rating for a counterparty or borrower, the risk classification of Moody's or Fitch applies.

In the absence of such a rating, the risk classification of the relevant custodian applies.

Schwyz, 25 April 2018



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Appendix 2

Valuation principles

1. Account balances and money market investments are measured at par value.
2. Bonds, equities and units in collective investments are measured at the market value prevailing on the applicable reference date, while medium-term notes are measured at par value or lower. The prices calculated by custodians apply.
3. Currencies are measured at the market value prevailing on the applicable reference date. The prices calculated by custodians apply.
4. Loans are measured at par value, recognising any necessary impairment losses.
5. Alternative investments are disclosed at the last available net asset value as calculated in accordance with recognised industry standards, allowing for any cash flows arising in the intervening period. This may involve delays in valuations of around three months.

Schwyz, 25 April 2018



Appendix 3

Provisions regarding integrity and loyalty

1. Scope

The provisions hereinafter set forth apply to the Board of Trustees and all individuals/institutions appointed by the Foundation.

2. Rules to be applied

The following provisions are based on the statutory provisions regarding integrity and loyalty in asset management (OPA Art. 51b and OPO2 Art. 48f to 48l).

3. General information

The Board of Trustees ensures that all authorised persons are informed of the guidelines regarding integrity and loyalty and monitors compliance with these provisions. External persons/institutions entrusted with asset management responsibilities must meet all requirements specified in OPO2 Art. 48.

4. Pecuniary benefits

The form of compensation for all authorised persons/institutions must be clearly determinable and set out in a written contract. In principle, all pecuniary benefits which exceed the agreed amount of compensation must be delivered to the Foundation. Persons/institutions may not accept any invitations, gifts or other pecuniary benefits that they would not have received if they had not been appointed to the position concerned. The following exceptions apply:

- a) Occasional gifts: Occasional gifts are defined as one-time gifts amounting to no more than CHF 200 per gift and amounting to no more than CHF 2,000 per year.
- b) Invitations: Invitations to events that are predominantly to the benefit of the Foundation, for example specialist seminars, provided that they do not take place more than once a month. Permissible events are generally limited to one-day events only. The event may not be attended by companions, and it must be possible to travel to the event venue by car or public transport. A social event can take place at lunchtime or after the event in the evening.

It is not permitted to accept personal pecuniary benefits in the form of cash payments, vouchers, discounts, etc., exceeding CHF 50 in value.

5. Restriction on trading activities by individuals involved in asset management

Individuals are deemed to be involved in asset management if they make decisions on purchasing or selling investments on behalf of the Foundation or are informed about such decisions. These individuals are not permitted to carry out any identical own-account transactions made prior to (front running), parallel to (parallel running) or immediately after (after running) carrying out trading orders for the Foundation. Any such transactions which are carried out via third parties in order to circumvent these provisions will be treated as own-account transactions.



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6. Churning

Redeploying the Foundation's portfolio without a reason as to why this is in the Foundation's economic interests is prohibited.

7. Disclosing interests

All persons subject to these provisions are obliged to disclose all interests which could affect their independence in the performance of their duties. These interests should be disclosed as soon as possible and at the very latest before completing a transaction, casting a vote or appointing an employee. Persons with any interest which could affect their independence must withdraw from making any decision (including all preparation, advisory or monitoring work involved).

8. Annual statements

The Board of Trustees requires an annual declaration from every person involved, to be submitted in writing. Each person shall declare that they are fully aware of the provisions regarding loyalty, that no undue pecuniary benefits have been received, that no prohibited own-account transactions have been carried out and that no conflicts of interest exist which have not already been disclosed.

9. Disciplinary action

Disciplinary action will be taken in respect of any breaches. The Board of Trustees will take any reasonable action that may be required in the event of breaches of the provisions governing integrity and loyalty, ranging from reprimands or warnings through to contract termination. Any disciplinary action taken is without prejudice to the right to initiate criminal prosecutions.

Schwyz, 25 April 2018