Swiss Life Ltd, General-Guisan-Quai 40, P.O. Box, 8022 Zurich

Swiss Life Collective Foundation 2nd Pillar, Zurich
(the Foundation)

Regulations governing the formation of provisions and reserves

Effective date: 31 December 2021

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Art. 1 Principles and objectives

The regulations govern the formation of reserves and provisions, taking into account the principle of consistency. Attention has been paid to the fact that the foundation must be in a position to fulfil its future provision objectives at all times.

The pension actuary shall report regularly, at least once every three years, on the status of reserves and provisions. Based on the pension actuary's report, the Board of Trustees shall review these regulations periodically and, if necessary, adapt them to any new circumstances.

Art. 2 Organisation of the Foundation

The foundation shall maintain a separate Vorsorgewerk for each affiliated company. The foundation shall conclude an insurance contract with Swiss Life Ltd (Swiss Life) to cover the risks of death and disability.

The insurance risks (death, disability) and cost of living adjustments to risk pensions are covered by Swiss Life. The foundation shall purchase ongoing risk pensions from Swiss Life. Recipients of retirement and survivors' benefits after final age are managed in the foundation which builds up the necessary provisions.

The foundation shall remain responsible for the investment of assets and bear the investment and longevity risks of the recipients of retirement and survivors' benefits it manages after final age.

Art. 3 Reserves and provisions at foundation level

Value fluctuation reserves, technical provisions and free funds are maintained at foundation level.

In the case of a positive annual result, the foundation shall use the bonus achieved in the first instance to build up the technical provisions and then to increase the fluctuation reserve until the target amount is reached. In the case of a negative annual result, the shortfall shall be made up through the value fluctuation reserve as far as possible.

1 - Technical provisions

Any technical provisions at foundation level shall be established in accordance with actuarial principles. The actual and target amounts of technical provisions shall be regularly assessed by the pension actuary and adjusted to current circumstances (e.g. actuarial basis, technical interest rate).

This relates to the following provisions:

<u>Provision for retirement pension deficits</u>
The retirement pension is calculated from the accumulated retirement savings and the conversion rate.

Retirement pension deficits borne solely by the foundation arise from the difference between the actuarial conversion rate and the regulatory conversion rate. The relevant provision is accumulated at foundation level to finance these deficits.

The amount of tied assets required for such a provision for insured persons aged 58 and older is equivalent to that needed to finance an increase of the actuarially calculated retirement pension (regulatory retirement savings multiplied by the actuarially correct conversion rate at age 65) to the regulatory retirement pension (safeguarding the minimum benefits in accordance with the BVG). The amount determined is weighted by the proportion of insured persons who, according to past experience, select a pension option on retirement.

<u>Other technical provisions</u>
Any other technical provisions at foundation level shall be established in accordance with actuarial principles. The actual and target amounts of the provision shall be regularly assessed by the pension actuary and adjusted to current circumstances.

2 - Value fluctuation reserves

Various investment categories are subject to considerable value fluctuation risks. To buffer expected fluctuations in value, a value fluctuation reserve is set up at foundation level. The value fluctuation reserve serves to offset a loss of investment income so that the loss has only a limited impact on the foundation's annual results.

This measure ensures compliance with Art. 50 of the BVV 2, which stipulates that an employee benefits institution must ensure compliance with its future provision objectives. To accomplish this, the employee benefits institution must adjust its investments carefully according to its risk capacities. This includes the ability to offset expected market-related fluctuations in the value of its assets and to maintain sufficient cash means or readily realisable investments to fulfil its current and future obligations on time.

In accordance with Art. 48e of the BVV 2, value fluctuation reserves shall be formed in a reasonable and readily explicable way. The decisive factors for the formation of value fluctuation reserves are the risk and return features of the current or envisaged strategic structure of the investment (strategic asset allocation) and the bandwidths for the implementation of the investment strategy (tactical asset allocation scope).

The necessary target level of the value fluctuation reserves is laid down in the investment regulations.

3 - Use of free funds

Free funds are disclosed provided there are technical provisions in accordance with cl. 1 and value fluctuation reserves in accordance with cl. 2 with corresponding target values.

The Board of Trustees decides on the use of free funds within the scope of the financial possibilities. The principle of equal treatment of all insured persons must hereby be observed.

Art. 4 Provisions and reserves at Vorsorgewerk level

1 - Employer contribution reserves

Any existing and new employer contribution reserves shall be managed at Vorsorgewerk level.

2 - Use of free funds

Free funds at Vorsorgewerk level are generated only as a result of a transfer from a previous employee benefits institution.

previous employee benefits institution. The Administrative Board decides on the use of free funds within the scope of the financial possibilities and within the Vorsorgewerk. The principle of equal treatment of all insured persons must hereby be observed.

Art. 5 Effective date

The regulations governing the formation of reserves and provisions at Vorsorgewerk and foundation level shall come into force based on the decision of the Board of Trustees of 10 December 2021. They come into application for the first time for the 2021 financial statements. The Board of Trustees may change the regulations at any time in accordance with the law and the foundation charter.

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