



# Statement of Investment Principles



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# Introduction

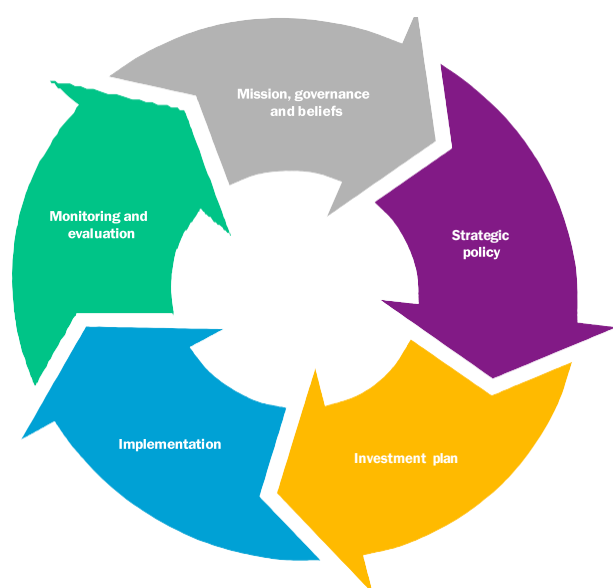
This 'Statement of Investment Principles' (Statement) describes the general principles of the investment policy and the investment process of Zwitserleven Pensioen. The board of Zwitserleven (the board) adopts the investment policy.

The board reviews this Statement with every major change in the investment policy and assesses the Statement in its entirety at least once every three years. Zwitserleven will make the Statement available to all (former) members on request.

The actual implementation of the Zwitserleven Pensioen investment policy is described in the investment plan that is adopted by the Zwitserleven board annually.

# The investment cycle

Zwitselerleven applies the following investment cycle for its overall investment policy:



In this Statement we explain the different steps in this investment cycle. First, we will discuss the objective (mission) of Zwitselerleven Pensioen, the administrative organisation (governance), the investment beliefs and the investment proposition offered by Zwitselerleven Pensioen. All these elements, together with the laws and regulations applicable to Zwitselerleven, form the framework and background within which Zwitselerleven makes its investment decisions. They also form the basis for determining the strategic policy, the investment policy, as well as the risk management policy, for example.

In order to accrue a pension, Zwitselerleven Pensioen offers a (former) member the choice between two investment options. Zwitselerleven Pensioen's strategic policy includes the details of Zwitselerleven Pensioen's investment options and it is set out in this Statement.

Zwitselerleven itself does not manage any assets for its (former) members. In order to implement the desired investment policy within its investment proposition, Zwitselerleven selects specialist external asset managers and/or investment funds. The criteria for the selection, monitoring and evaluation of the asset managers and/or investment funds are set out in the investment plan. The basic principles underlying the policy and the investment guidelines that asset managers and/or investment funds must apply form a part thereof.

Finally, we will discuss risk management. All steps in the investment process include risks that need to be controlled in the interest of the (former) members and in the interest of Zwitselerleven itself. The risks in all these different steps have been identified and, after assessing the likelihood and extent of the risks, corresponding control measures have been determined.



# The objective of the investment policy

Zwitserleven Pensioen provides pension capital accrued on the basis of a Defined Contribution Scheme. Zwitserleven Pensioen applies an investment strategy for each (former) member that represents the best possible balance between risk and return on the contribution invested. This way, the (former) member can purchase an adequate (real) pension income on his or her preferred retirement date. An important tool therein is the methodology that Zwitserleven Pensioen uses to determine the risk appetite of the (former) member.

When investing the funds entrusted to it, Zwitserleven Pensioen focuses on the following core values: quality, safety, risk diversification, transparency and cost control. We will explain these core values in more detail. The board represents the interests of the (former) members of Zwitserleven Pensioen and ensures that Zwitserleven meets the legal requirements.



# The investment governance

The implementation of the investment policy is embedded in a transparent process with clear procedures, tasks and responsibilities for all parties involved.

Zwitserleven guarantees adequate expertise among its directors, the risk manager, the advisor, the external asset managers and the custodian in the drawing up and implementation of the investment policy.

## The board

The board meets at least four times a year and bears final responsibility for:

- ◀ The setup of the investment process;
- ◀ Adoption of the Statement;
- ◀ Adoption of the investment solutions offered by Zwitserleven Pensioen and the extent to which risk may be taken within the investment solutions offered;
- ◀ Adoption of the selected asset allocations (lifecycles) within the investment solution offered, of the methodology used to select the standard lifecycle for the (former) member (Smart standard) and of the methodology used to select the lifecycle tailored to the (former) members preference (Smart Investing);
- ◀ Adoption of the selection of one or more specialist asset managers per investment solution offered, of the management agreement, of the benchmark and of the implementation of the investment mandate;
- ◀ Monitoring and evaluation of the entire investment policy;
- ◀ The formulation of the investment beliefs.

## The advisor

Insofar as deemed necessary by Zwitserleven, it uses one or more external advisors to provide support in the execution of all tasks, actions and decisions described above.

The board can instruct an advisor to act as a spokesperson on its behalf in dealings with the external asset managers and to perform acts on behalf of Zwitserleven relating to the implementation of the investment policy adopted by the board.

The board can be assisted and advised by the advisor on the following subjects:

- ◀ The formulation of the Statement and when making changes in this document;
- ◀ The drawing up of the policy regarding the desired asset allocations and the (further) development of the lifecycle methodology;
- ◀ The formulation and substantiation of the investment solutions offered;
- ◀ The selection process of specialist asset managers per investment solution offered;
- ◀ The drawing up of the management agreements with specialist asset managers, including the Service Level Agreements and the investment guidelines;
- ◀ The temporary suspension of the investment policy in the event of unforeseen circumstances.

The board can outsource the following executive tasks to the advisor:

- ◀ Cash flow management and all financial actions required within the framework of this management as set out in this Statement and/or in underlying procedures;

- ◀ The monitoring and evaluation of activities by the asset managers; all asset managers report to the advisor on a regular basis. The advisor, in his turn, reports to the board;
- ◀ Representing the board during consultations with the asset managers regarding the evaluation and discussion of the quarterly reports and policy intentions.

## The administrator

The administrator, appointed by the board, will ensure that the pension administration of the (former) members is accurate and that this is reported on; this includes the quarterly report for the board and the annual report to the regulator, among other things.

The administrator is responsible for:

- ◀ Handling the membership administration (registration of the details of (former) members such as name and address, gender, date of birth, salary details and pension entitlements), including the processing of changes in the membership administration;
- ◀ Handling the members' communication (letters, uniform pension statements, etc.) based on a predefined communication policy;
- ◀ Handling the financial administration of Zwitserleven;
- ◀ Handling the unit administration;
- ◀ Handling the monthly cash flows from the employer (collection of contribution) to Zwitserleven and subsequently to the custodian and/or the relevant insurers;
- ◀ Implementing the risk insurance on the instruction of the risk insurer (the actual risk insurance administration).

## The custodian

The custodian appointed by the board is responsible for:

- ◀ The servicing of the investments within the investment solutions offered;

- ◀ Carrying out a daily, provisional value assessment of the investment solutions offered and giving the administrator, the advisor and the board an insight into these through electronic means;
- ◀ The delivery of daily reports per investment solution offered;
- ◀ Carrying out the monthly audited value assessment of the investment solutions offered and informing the administrator, the advisor and the board;
- ◀ Carrying out the transactions between and within the investment solutions offered; at the initiative of the administrator (monthly purchases and sales, value transfers) and the specialist asset managers (regarding the actual investments within the investment solutions offered);
- ◀ Handling the reconciliation of investments in the investment solutions offered;
- ◀ Carrying out the return calculations of the investment solutions offered, if required;
- ◀ The delivery of data for annual reporting per investment solution offered;
- ◀ Reporting on a quarterly basis to the board for regulatory purposes.

## The risk manager

The risk manager appointed by the board is responsible for:

- ◀ Advising the board on the strategy and policy of integrated risk management (IRM);
- ◀ Advising the board on the performance of the IRM;
- ◀ The delivery of periodic reports to the board on the scope of gross and net risks within Zwitserleven;
- ◀ Reporting to the board about the set-up, implementation and performance of the control measures;
- ◀ Reporting and investigating incidents;
- ◀ Guiding/initiating periodic risk assessments.



# The investment beliefs

Investment beliefs are beliefs of the board based on conscious choices. The investment beliefs are subdivided into beliefs about financial markets, the investment process and the investment governance. The current investment beliefs of Zwitserleven Pensioen are:

- ◀ Assuming investment risks is necessary to achieve a return that enables Zwitserleven Pensioen (former) members to realise their objectives;
- ◀ Not all investment risks are rewarded (in the long term);
- ◀ Diversification improves the long-term risk/return profile, but it has its limits;
- ◀ Passive management is the starting point but selective active management can generate attractive additional return over time;
- ◀ Under normal market conditions, exchange rate (or currency) risks in developed markets are not rewarded in the long term;
- ◀ Zwitserleven is aware of its social responsibility and acts accordingly, to the extent of its ability;
- ◀ The organisation of Zwitserleven suits the complexity of the investment portfolio;
- ◀ Operational excellence and cost efficiency leads to outsourcing to specialist parties.

A further explanation is outlined below per investment belief, as well as the impact thereof on Zwitserleven Pensioen's investments.

## Risk versus return

Assuming investment risks is necessary to achieve a return that enables Zwitserleven Pensioen's (former) members to realise their objectives.

### Explanation

Zwitserleven Pensioen aims to provide its (former) members with an old-age provision that is adequate and that retains its purchasing power (as much as possible). Achieving this objective largely depends on the return on the investments during the accrual phase.

In order to generate sufficient return in the long term, a (former) member of Zwitserleven Pensioen must run investment risk. The level of investment risk that a (former) member can run must be geared to his or her risk appetite.

Zwitserleven Pensioen is looking for a balance in which steady growth of the assets takes prevalence over the probability of a higher return with greater fluctuations.

Risk management is at least as important as generating return. Risk features multiple perspectives that are taken into account in decision-making, management and reporting, both quantitatively and qualitatively.

### And that is why

... in setting up and allocating lifecycles, Zwitserleven Pensioen keeps weighing up risk and return over time.

... Zwitserleven Pensioen assumes the risk/return profile of (former) members as the dominant factor in the composition of lifecycles and the allocation thereof to (former) members.

... risk management will be applied both quantitatively and qualitatively.

## Investments risks

Not all investment risks are rewarded (in the long term).

### Explanation

Zwitserleven Pensioen applies the principle that not a single investment category, methodology or instrument is excluded beforehand. However, each individual



investment must contribute to the quality, safety, liquidity and return of the investment solution offered as a whole.

Given the long-term liabilities of its members, Zwitserleven Pensioen investment proposition is long term. Having a long-term investment horizon enables Zwitserleven Pensioen to invest in equities or other investment categories with a higher risk, but also with a return that is expected to be higher in the long term.

Nor do short-term investment results form a direct reason to adjust the long-term policy; the portfolio offers room for less liquid investments. However, operational requirements demand daily marketability of the investments.

### And that is why

... Zwitserleven Pensioen invests some of the investments in higher-risk asset classes, such as listed shares and high-yield bonds.

... Zwitserleven Pensioen does not invest in less liquid investments such as unlisted shares, direct property, private loans and mortgages.

... Zwitserleven Pensioen avoids or controls investment risks that do not yield additional returns in the long term, as much as possible.

... Zwitserleven Pensioen allows investments in derivatives insofar as they contribute to a reduction in investment risk or facilitate effective portfolio management.

## Diversification

Diversification improves the (long-term) risk/return profile but it has its limits.

### Explanation

A careful spreading across multiple investment categories contributes to a robust investment portfolio for the (former) members because the portfolio risk is reduced, whereas the expected return remains unchanged. This effect occurs when investments do not increase or decrease in value simultaneously and/or to the same extent.

However, excessive diversification does not contribute materially to the risk/return profile but it can lead to additional costs and the need for a higher governance

budget (higher complexity, more time spent, required knowledge, etc.). An investment, therefore, must not only make a significant contribution to the risk/return profile for it to be worthy of an investment, every new investment will also be viewed within the context of required governance versus available governance.

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### And that is why

... Zwitserleven Pensioen invests the assets of (former) members in multiple asset classes.

... as a rule, an individual asset class must be at least 5% of the relevant fund.

... Zwitserleven carries out qualitative and quantitative research into the added value of a new asset class. This research will be laid down in an 'Investment Case'.

## Active versus passive

Passive management is the starting point but selective active management can generate attractive additional return over time.

### Explanation

Markets are, in principle, efficient and cannot be predicted. Defeating markets through active management is very difficult.

A skilled manager can add value through active management, particularly in inefficient markets and/or in markets that lack a representative index for passive management. However, the added value of active management can vary over time, per investment category.

A skilled manager can be identified through a structured analysis per investment category.

However, active management involves additional costs. Costs have a major impact on the long-term investment

results and (with that) on the level of pension benefits. While Zwitserleven is cost-conscious, it still weighs up the possible net returns on investments against the total cost level of the investment portfolio.

#### And that is why

... passive management is preferred.

... Zwitserleven Pensioen periodically assesses the added value of active management against criteria such as management costs, transaction costs, complexity and other preconditions that apply to a specific investment category.

... Zwitserleven makes all administration costs transparent and periodically assesses these against market conformity.

## Currency

Under normal market conditions, exchange rate risks in developed markets are not rewarded in the long term.

#### Explanation

In the long term, exchange rates of developed markets tend to balance out (purchasing power parity). Hence these foreign exchange positions do not generate a return in the long term.

Zwitserleven can take advantage of trends in foreign exchange developments. These advantages may consist of a higher return or a reduction of the risk profile thanks to diversification gains.

The costs of foreign exchange hedging are included in the decision-making process. Foreign exchange positions in emerging markets cannot be hedged efficiently. In addition, Zwitserleven believes that these currencies will structurally increase in value as these markets develop further.

#### And that is why

... Zwitserleven Pensioen invests fixed-income securities within the Matching funds in euros only.

... Zwitserleven Pensioen provides for full strategic hedging of material foreign exchange positions of developed markets in risk-bearing investments, provided this is

worthwhile, and does not provide for strategic hedging of foreign exchange positions of emerging markets.

... Zwitserleven Pensioen pursues a tactical policy in which it can decide to temporarily suspend the hedging, in full or in part, of its foreign exchange positions.

## Sustainable investing

Zwitserleven is aware of its social responsibility and acts accordingly, to the extent of its ability.

#### Explanation

Zwitserleven, in accordance with the express wish from (prospective) affiliated employers and members, among other things, aims to contribute to a better society. That is why Zwitserleven, where possible, integrates elements of socially responsible investment into its investment policy.

Zwitserleven believes that socially responsible investment results in lower reputational risk and integrity risk.

#### And that is why

... Zwitserleven formulates a policy to invest its investments over time in an efficient and socially responsible manner.

... external parties actively act on behalf of Zwitserleven Pensioen during shareholders' meetings and dialogues are held with companies that are invested in.

... Zwitserleven excludes investments in manufacturers of controversial weapons.

## Governance

The organisation of Zwitserleven suits the complexity of the investment portfolio.

#### Explanation

From a controllability point of view, the governance (availability of people, resources, knowledge, time, processes, etc.) to manage the investment portfolio within Zwitserleven must match the (desired) composition and set-up of the portfolio. Different asset classes and investment styles burden the administrative organisation to a varying degree.

**And that is why**

... Zwitserleven Pensioen adjusts the complexity of the portfolio to its administrative organisation. An investment must be transparent in order to properly assess the possible risks and administrative impact thereof in advance.

... all investments are subjected to periodic and transparent reporting so that they can be monitored by Zwitserleven and be assessed on results.

... the board seeks additional advice on all aspects of the investment policy.

... changes to the investment policy are determined exclusively by the board.

**Operational excellence and costs**

Operational excellence and cost efficiency lead to outsourcing to specialist parties.

**Explanation**

By using one or more external parties in the execution of its activities, Zwitserleven can gain access to specialist

knowledge and products, operational and/or risk management can be given further shape, the speed at which market developments are responded to can be increased and/or Zwitserleven can benefit of economies of scale it would not have been able to realise itself.

**And that is why**

... Zwitserleven properly embeds the implementation of the investment policy in a transparent process with clear procedures, tasks and responsibilities for all parties involved.

... Zwitserleven Pensioen fully outsources the daily, operational management of the investments to specialist external parties, as well as the servicing, valuation and profit and loss account for regulator reports per investment solution offered.

... Zwitserleven uses a careful selection procedure and a continuous monitoring process and maintains sufficient internal knowledge to manage and assess the external parties.

... Zwitserleven Pensioen has appointed an advisor, with clear added value with regard to advising and guiding the selection and monitoring of specialist external parties.





# The investment proposition (pension accrual)

Zwitserleven Pensioen offers (former) members two investment options aimed at accruing pension capital. A (former) member can opt to have the Defined Contribution fully invested by Zwitserleven Pensioen (Smart Investing) or to invest it fully independently (Self Investing).

The applicable pension scheme shows which options the (former) member has to invest the Defined Contribution.

## Smart investing

### A personal lifecycle by default

Within the Smart Investing option, Zwitserleven Pensioen, according to a lifecycle methodology developed by Zwitserleven Pensioen itself, organises all investments on behalf of the (former) member by default, thereby creating the best possible balance between risk and return for each (former) member individually.

With the Smart standard, Zwitserleven Pensioen, by default, allocates a personal lifecycle to each (former) member at the start of membership, based on a risk criterion to be set objectively. This is an ideal solution for the majority of (former) members who cannot or do not want to make an investment decision themselves.

(Former) Members, via the members' portal, always have the option of being assigned a more offensive or defensive lifecycle compared to the Smart standard. This will be based on additional information about risk-bearing capacity or risk tolerance provided by (former) members to Zwitserleven Pensioen. This, for example, would be a solution for a (former) member who has made additional provisions for his or her pensionable income after the retirement date and, therefore, can and is willing to run more risk.

Zwitserleven Pensioen has two sets of underlying lifecycles available within the Smart Investing option: one with a relatively higher risk profile (15% exposure to return seeking assets at retirement date) and one with a relatively lower risk profile (0% exposure to return seeking assets one year before retirement date).

The lifecycle set with a relatively higher risk profile has a higher expected capital at retirement date.

On the other hand, however, there is a higher probability that the capital on retirement date will be lower than expected due to negative investment outcomes.

An employer can, in consultation with the advisor, determine which of the two lifecycle sets would be best suited for the complete member population. These two earlier described lifecycle sets pre-sort to a fixed benefit at retirement date. In addition, members using the Smart Investing option can also opt for a lifecycle set which is pre-sorted to a variable pension benefit in which there is a full or partial investment at retirement date.

The annual investment plan explains in more detail what lifecycle investing at Zwitserleven Pensioen entails.

### Investment funds

Within the Smart Investing option, Zwitserleven Pensioen, on behalf of the (former) member, invests in three funds especially developed by Zwitserleven Pensioen:

- ↓ ↑ Matching Short fund: Investments in inflation-related fixed-income securities with average interest rate and inflation sensitivity, money market funds and liquid assets;
- ↓ ↑ Matching Long fund: Investments in inflation-related fixed-income securities with high interest rate and inflation sensitivity, money market funds and liquid assets;
- ↓ ↑ Rendement fund: Investments in risk-bearing investments, including but not limited to global equities, emerging market equities, global government bonds, global corporate bonds, high

yield bonds, emerging market bonds, globally listed real estate securities, commodities, money market funds and liquid assets.

A (former) member cannot combine the Smart Investing with the Self Investing option.

## Self investing

Within the Self Investing investment option, the (former) member chooses his or her own investment mix and investment funds in which he or she invests the pension capital and the Defined Contribution.

The employer, in consultation with Zwitserleven Pensioen, determines whether and if so from which investment funds an individual (former) member can choose.

Self Investing is only accessible to a (former) member after he or she explicitly accepts the risks associated with investing fully independently and after a risk profile and an appropriate investment profile have been drawn up for the member. To this end, (former) members must complete a questionnaire via the members' portal.

Each year, Zwitserleven assesses whether the investment profile matches the risk profile of the (former) member and informs the (former) member accordingly.

The investment funds to be offered by Zwitserleven Pensioen within the framework of the Self Investing investment option are set out in the investment plan.

The Self Investing investment option cannot be combined with the aforementioned Smart Investing option.





# The execution of asset management

## 100% External asset management

The objective of the investment process is to shape and implement the investment policy and underlying asset management efficiently and consistently.

Zwitserleven Pensioen does not manage assets itself but selects external, specialist asset managers and/or investment funds.

A specialist asset manager and/or investment fund is generally selected on the basis of the following assessment criteria:

- ◀ The investment organisation: financial sustainability, customer base and stability;
- ◀ The investment process: research capacity, portfolio construction and risk management;
- ◀ The investment team: experience, stability, size and composition;
- ◀ The investment products: suitability of the product, return, risk and tax/legal status;
- ◀ The costs (in this case, the annual management costs, the additional annual costs and all transaction costs);
- ◀ The service provision: customer relationship management and reporting.

## Management agreement

In those instances in which the assets of Zwitserleven Pensioen are managed in investment funds, Zwitserleven is bound by the conditions of the prospectus of the investment fund, including the investment guidelines. That is why Zwitserleven checks whether the conditions of the prospectus are in accordance with this Statement. Insofar as investments are not made in investment funds, Zwitserleven enters into a management agreement with the asset manager. This management agreement in any case provides a contractual record of the following:

- ◀ The asset manager is authorised to carry out transactions within the framework of the agreed investment guidelines, without intervention from Zwitserleven;
- ◀ The asset manager is authorised to instruct the custodian to effect the deliveries or receipts from the aforementioned transactions against payment;

- ◀ The asset manager, within the framework of the investment guidelines, is authorised to use derivative investment instruments, including interest rate swaps, inflation swaps and forward foreign exchange contracts.

The investment guidelines define the instruments that are subject to this authority and up to which limits;

- ◀ The duration of the agreement, the conditions for interim termination and/or changes and the consequences of termination of the agreement;
- ◀ The requirements stipulated by outsourcing guidelines and the applicable law;
- ◀ The liability of the asset manager in the event of culpable damage and/or failure to comply with the agreements made as laid down in the investment guidelines and/or the Service Level Agreement;
- ◀ The asset manager reports in line with the provisions in the investment guidelines.

## Investment guidelines

Insofar as Zwitserleven Pensioen does not invest in investment funds, it adopts separate investment guidelines in consultation with the designated asset manager. The asset manager must carry out the management instruction as contained in these written investment guidelines. The investment guidelines provide information relating to the benchmark, requirements in the area of quality, diversification, risk management, the method of reporting and to the standards for performance calculation, among other things.

With regard to Section 21a of the Market Abuse Decree of the Dutch Financial Supervision Act, Zwitserleven states that it (partially) applies passive or index investing and is thereby excluded from the prohibition as described in Section 21a, as long as the total investment in cluster munitions does not exceed 5% of the index (Section 21a, subsection 3). Zwitserleven Pensioen complies with this prohibition, taking into account this exception.



## Derivatives

Zwitserleven Pensioen allows investments in derivatives insofar as they contribute to a reduction in investment risk or facilitate effective portfolio management.

## Securities lending

Zwitserleven Pensioen does not use the possibility to (temporarily) lend securities at a fee. However, Zwitserleven Pensioen, where appropriate, can select an investment fund that makes use of the possibility to lend securities. During the selection process, the board will pay thorough attention to the conditions under which securities can be lent.

## Socially responsible investment

Zwitserleven, in accordance with the express wish from (prospective) affiliated employers and (former) members, among other things, aims to contribute to a better society. This is achieved by incorporating various elements of socially responsible investment, such as the environment, society and governance, into the investment policy, where possible.

Zwitserleven believes that socially responsible investment contributes to creating a better world and a higher return for its members in the long term. In the shorter term, socially responsible business practices ensure improved risk management in the form of lower reputational risk and integrity risk.

The way in which asset managers implement socially responsible investment is an important selection criterion in the appointment. Some features of responsible investment within the funds are:

- ◀ Compliance with the UN Global Compact principles, with the option to apply exclusion criteria to, for example, controversial weapons, tobacco and coal mining;
- ◀ Assessing companies in terms of compliance with environmental, social and administrative performances, such as human rights, basic labour rights, corruption, the environment, weapons, customer integrity and product integrity.
- ◀ Violations of the principles can lead to the exclusion of companies;
- ◀ Actively exercising voting rights during shareholders' meetings;
- ◀ Conducting a dialogue on the subject of corporate sustainability with companies in which investments are made.

The advisor, like all asset managers appointed by Zwitserleven, is a signatory to the United Nations-supported Principles for Responsible Investment (UNPRI) as well.

This means that affiliated companies are actively working on achieving improvements in the areas of human rights, labour rights, the environment and anti-corruption. The UNPRI has summarised this in ten guiding principles. [www.unpri.org/signatories](http://www.unpri.org/signatories).

## Servicing

The custodian handles the administration and servicing of all investments within Zwitserleven Pensioen and all related transactions. The custodian also handles the unit administration of the funds offered within the Smart Investing option.

The custodian also ensures that the board and the advisor have permanent and online access to data relating to each investment solution offered and the total of investments, such as:

- ◀ Portfolio overviews in market values, start and end periods, on an accrual basis including accrued interest in euros;
- ◀ Number of units and unit value of the funds;
- ◀ Purchases and sales on an accrual basis in euros;
- ◀ The value of capital gains or losses in euros.

## Valuation of investments

Zwitserleven values the investments at current (market) value. The custodian is responsible for the administration and valuation of investments, as well as for the daily reporting on investments.

## Trading days

A trading day is a predetermined day in the month on which all transactions of (former) members are executed and settled by the custodian on the instruction of the administrator by means of an allocation order (trade letter).

Zwitserleven Pensioen works with a fixed number of trading days per month. This allows us to bundle all transactions of (former) members (netting). This means fewer (small) transactions are needed each month, which can result in a considerable saving in the transaction costs.

Every month has at least three trading days. At the beginning of the month, a trading day is set for the execution of orders relating to the purchase or sale of investments from contributions or withdrawals by (former) members. Zwitserleven Pensioen performs shifts within the existing investments of (former) members at other trading moments in a month, such as rebalancing and members' requests to change investment option.

Each year, Zwitserleven Pensioen draws up a calendar with trading days (Trading Calendar). If legislation stipulates the execution of an interim transaction for a (former) member, the board can request the administrator and the custodian to create an interim trading day.

## Rebalancing

In our 'Smart default' investment solution, Zwitserleven Pensioen allocates an asset mix to (Former) Members based on their risk profile on a monthly basis. The actual asset mix of (Former) Members can deviate from the target asset mix due to e.g. market movements. The process to align the actual asset mix of (Former) Members with the target asset mix is called rebalancing.

Zwitserleven Pensioen pursues a monthly rebalancing policy for (Former) Members, based on pre-set margins that are approved by the board. After processing the pension premiums, the Administrator monitors the actual asset mix of (Former) Members versus the defined target

asset mix on a monthly basis. Zwitserleven Pensioen only rebalances the portfolio of (Former) Members when the actual allocation of one of the funds deviates more than 2.5% from the target allocation. A rebalancing process will require both selling and buying the funds in such a way that the actual asset mix is aligned with the target asset mix. By using a bandwidth of 2.5%, a limited amount of trades is required over time for rebalancing purposes. All rebalancing trades will be executed using the exact same trade date, so that there is no loss of market exposure for (Former) Members.

Participants that opt for Self-Investing are not automatically rebalanced by Zwitserleven Pensioen. Zwitserleven does periodically compare the actual asset mix of (Former) Members with their risk profile.

## Evaluation of the investments result

The investment result is the sum of all direct investment revenues (including interest and dividends), indirect revenues as a result of value increases or reductions and all other revenues and costs relating to the investments.

Within the investment solutions offered, the advisor monitors the following for each asset manager:

- ◀ The developments in the organisation, investment process and/or team;
- ◀ Whether the asset manager meets the set guidelines and investment restrictions;
- ◀ How the investment results relate to the agreed benchmarks;
- ◀ The risks;
- ◀ The investment style and portfolio composition;
- ◀ The operational state of affairs (including risk management) and costs.

In addition, the board, the risk manager and the advisor receive a monthly statement from the asset manager setting out the investment result for the previous period. In this statement, the asset manager also reports on the investment policy pursued and the current outlook of expected developments and the ensuing policy intentions insofar as the asset manager applies active management.

Each month, the investment result of the investment solutions offered by Zwitserleven Pensioen is derived from the intrinsic value calculations per investment solution offered, as drawn up by the custodian.

Consultations between the asset managers and the board regarding the investment result and the implementation of asset management are held at least once a year. The board assesses the result within the framework of the benchmarks as agreed in the investment guidelines. Primarily, the board assesses the investment result on the basis of the average investment return over a progressive period of three years.

- ◀ Impact on added value (risk-return ratio);
- ◀ Impact on costs;
- ◀ Impact on operational execution;
- ◀ Impact on the administrative organisation;
- ◀ Impact on the risks and risk management.

The risk manager of Zwitserleven Pensioen will test proposals against this Statement and Zwitserleven Pensioen's current investment plan.

## Costs and cost control

Zwitserleven does not incur costs other than those that are reasonable and proportionate in relation to the size and composition of the capital invested and the objective of Zwitserleven.

## Code of conduct

Zwitserleven has a code of conduct that applies to all directors and serves to control integrity risks (see risk management paragraph), among other things. Zwitserleven ensures that all persons who perform work for Zwitserleven Pensioen through the parties involved in the investment policy subscribe to a code of conduct that is at least equivalent to the Zwitserleven code of conduct.

## Adjustment of policy

This Statement is periodically adjusted. Adjustment may be necessary, for example, if the pension regulations applied by Zwitserleven Pensioen are subject to fundamental changes, if the long-term expected risk and return characteristics of one or more investment categories are to be reviewed or in the event of unforeseen circumstances during the implementation of the monthly investment process.

The board is responsible for any changes to the investment policy. Ideas for changes can be submitted by the advisor to the board or initiated by the board itself.

All proposals for adjustment of the policy are extensively tested against the following criteria:



# The execution of risk management

All steps in the investment process include risks that must be controlled for the (former) members and for Zwitserleven Pensioen itself. The board has identified the risks for the various steps in the investment process, estimated the chances of the risk materialising and what the consequences thereof would be. Subsequently, measures have been taken to control the risks. The advisor reports to the board and the risk manager on risk management based on monitoring and periodic reporting.

The main risk categories within the investment solutions offered by Zwitserleven Pensioen are:

## Market risk

Deliberate market risk is taken in a number of investment solutions offered, because this is expected to be compensated by a risk premium. Each year, the board uses a qualitative and quantitative analysis (risk budgeting study) to assess the extent to which Zwitserleven Pensioen is prepared to take market risk in the investment solutions offered to its (former) members.

Control measures:

- ◀ After a conscious choice has been made to set the amount of market risk that is run, this policy is retained until the next review. This prevents unclear decision-making on the subject of taking market risk.

## Interest rate risk

Interest rate risk is incurred deliberately in a number of investment solutions offered, so that the value of the investments responds to interest rate changes. However, the actual change in value may respond differently than expected. This risk can be substantial for (former) members if no control measures are taken.

Control measures:

- ◀ The extent to which the value per investment solution changes as a result of (large) interest rate changes is reported every quarter.
- ◀ Asset managers are given guidelines by Zwitserleven Pensioen within which the interest rate risk must remain for each investment solution offered.

## Credit risk

Deliberate credit risk by buying corporate bonds is run in a number of investment solutions offered, because this is expected to be compensated by a risk premium. The board uses a periodic risk budgeting study to assess the extent to

which Zwitserleven Pensioen is prepared to take credit risk in the various investment solutions for its (former) members.

Control measures:

- ◀ The asset managers are given guidelines by Zwitserleven Pensioen that ensure sufficient diversification across the debtors and provide limits on creditworthiness ratings of debtors and investments in countries and/or sectors.

## Exchange rate risk

In a number of investment solutions offered, exchange rate risk is incurred because investments are made in non-euro currency. Each year, the board uses a risk budgeting study to assess the extent to which Zwitserleven Pensioen is prepared to take currency exposures in the investment solutions offered to its (former) members.

Control measures:

- ◀ After a conscious choice has been made to set the amount of exchange rate risk that is run, this policy is retained until the next review. This prevents unclear decision-making on the subject of taking currency exposures.
- ◀ The currency exposures are measured quarterly.

## Outsourcing risk

Outsourcing can damage the continuity, integrity and/ or quality of the work. There is a risk that the custodian and/or an asset manager do not act according to the interests of Zwitserleven Pensioen or its members or that the guidelines within which an asset manager operates are not adhered to or have been defined incorrectly.

Control measures:

- ◀ Contracts have been concluded with due observance of the outsourcing guidelines under the pensions act.
- ◀ A monitoring framework has been drawn up for continuous assessment of the outsourced activities.
- ◀ Zwitserleven is flexible with regard to the choice of the asset manager:
  - Most management contracts can be terminated in the short term.
  - The majority of appointed asset managers for the investment solutions offered are passive with common strategies. This means that another asset manager can be deployed in the short term if the current manager no longer suffices.

### Integrity risk

Doubts about integrity can damage the reputation of Zwitserleven. Examples of integrity risk are disadvantaging third parties, insider trading and money laundering.

Control measures:

- ◀ Zwitserleven supervises compliance with the internal code of conduct by the board and the advisor.
- ◀ Zwitserleven Pensioen ensures that the appointed Asset Managers and Custodian all apply an adequate code of conduct.

### Derivatives

For a number of investment solutions offered, (interest rate) derivatives may be used insofar as they contribute to a reduction in investment risk or temporarily facilitate effective portfolio management.

(Former) Members are exposed to a number of risks when using derivatives in an investment solution offered: transactions in derivatives usually require collateral; creating collateral risk and liquidity risk; derivatives are often private contracts, specifically agreed with a counterparty. This results in counterparty risk.

Control measures:

- ◀ See collateral risk, liquidity risk and counterparty risk.

### Leverage

Temporary and limited leverage may be present in a number of investment solutions offered, because the exposure of investments exceeds the market value thereof (due to the use of derivatives as interest rate swaps).

Although derivatives as interest rate swaps are intended to reduce risks, these instruments do require collateral. In an extreme market situation, the need to produce collateral can become so strong that it requires the sale of (liquid) investments within an investment solution offered.

Control measures:

- ◀ The board of Zwitserleven Pensioen has drawn up guidelines for the extent to which leverage is permitted in the various investment solutions offered. These guidelines are aimed at keeping the liquidity risk to an acceptable minimum.
- ◀ Leverage in the investment solutions offered is explicitly included in the risk reports, based on the market value and market exposure.
- ◀ In those instances in which conditions have been attached to the leverage in the investment guidelines, compliance with the guidelines is assessed monthly through monitoring by the asset managers.

### Liquidity risk

The liquidity risk is related to the monthly marketability of the investments, among other things.

Control measures:

- ◀ All investments within the investment solutions offered are marketable at least once a month.

### Counterparty risk

This is the risk of counterparties with whom derivatives transactions have been entered into fully or partially failing to meet their obligations. If in the event of interest rate swaps, for example, the counterparty was to fail, the agreements entered into concerning the exchange of interest rates would become void as well. This can have a serious impact.

Control measures:

- ◀ Asset managers are given guidelines by Zwitserleven on:
  - ◀ creditworthiness ratings;
  - ◀ spreading across sufficient counterparties with whom ISDAs/CSAs have been concluded so as to avoid a concentration of exposure to counterparties;
  - ◀ collateral management of outstanding exposure to counterparties due to derivatives;
  - ◀ periodic assessment of creditworthiness of counterparties.
- ◀ Zwitserleven assesses counterparty risk through risk reporting.

### Valuation risk

Valuation risk is the risk that the valuation of the investments is incorrect, incomplete, not in time or not independent. The risk of valuation of unlisted derivatives as interest rate swaps is particularly high.

This is because it concerns a private contract for which there is no transparent market price.

Control measures:

- ◀ Asset managers are given guidelines by Zwitserleven:
  - in the area of permitted types of collateral, haircuts, thresholds, minimum transfer amounts, etc. in the ISDA/CSA agreements;
  - about daily collateral management.
- Zwitserleven monitors collateral management within the monitoring framework.

## Collateral risk

Collateral management is aimed at reducing the risk posed by counterparties. The effectiveness of collateral management depends on the degree of control of the following risks: the risk that the collateral is not sufficient to compensate for the loss suffered due to a counterparty; the risk that the return on collateral received is less than the return on said collateral that must be paid to the counterparty; the risk that the collateral is valued incorrectly.

Control measures:

- ◀ Asset managers are given guidelines by Zwitserleven Pensioen:
  - in the area of permitted types of collateral, haircuts, thresholds, minimum transfer amounts, etc. in the ISDA/CSA agreements;
  - about daily collateral management.
- ◀ Zwitserleven monitors collateral management within the monitoring framework.

## Performance and risk measurement

Result and risk measurement involve a risk due to measurements not being independent or incorrect. Result and risk measures can also be presented incorrectly or compared to the wrong standards.

Control measures:

- ◀ Independent performance measurement by the custodian.
- ◀ Monthly reconciliation per investment solution offered between the custodian and the calculations of the asset managers.
- ◀ Extensive reporting on investment results and risk at various levels in the investment solutions offered.



# Zwitserleven

## More details & contact

For more information about what Zwitserleven  
Pensioen can do for you, you can contact us.

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Zwitserleven Pensioen meets the growing demand for flexible and modern pension plans for organisations with 25 or more employees. It is a unique proposition based on a personal investment solution, smart and comprehensible communication and best in class execution. We work with the best partners in the areas of administration, asset management and insurance to achieve optimum added value for our customers.