

INVESTMENT REGULATIONS OF

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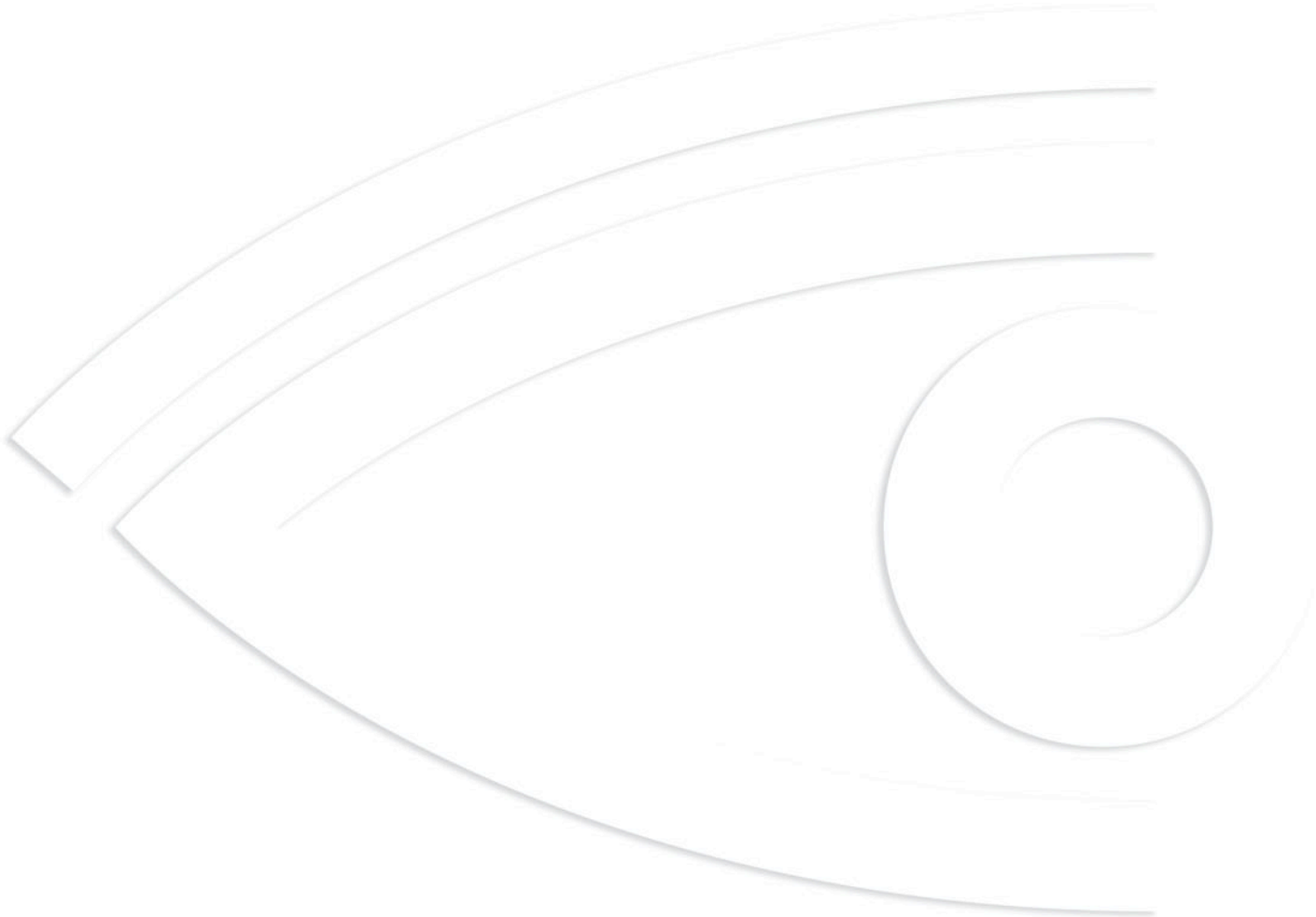


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*The present document is a translation from the French original text.
In case of discrepancies between the English and French versions,
the French version shall apply and prevail.*

Preamble

In accordance with articles 65 and 71 of the Federal Law on Occupational, Old Age, Survivors and Disability Insurance (LPP), 48^e to 48^h and 49 to 59 of the Ordinance on Occupational, Old Age Survivors and Disability Insurance (OPP2), the Board of Trustees of the Foundation issues the following regulations on the investment of the Foundation's assets.

Art. 1 General principles

The Foundation shall manage its assets in such a way as to guarantee security, the spreading of risks, an adequate return on investment and the coverage of the estimated need for liquidities, according to an active, documented and current process.

In the framework of drafting the investment rules, it ensures that these do not jeopardise its obligation to fulfill its commitments at all times.

As a first step the Foundation strives to ensure the security of achieving the goals of the insurance fund. To this end it carefully selects, manages and controls its investments.

The security is evaluated by taking account of all the assets and liabilities, the prevailing financial situation as well as the structure and foreseeable future evolution of its insured persons.

The Foundation respects the principle of an appropriate distribution of risks. The assets are split between different categories of investment as well as between several economic regions and sectors.

The Board of Trustees obtains information on existing and potential risks by consulting with the specialists it deems to be the most apt to enlighten it according to the circumstances: experts, auditors, actuaries, legal advisors etc. It may at its own initiative carry out analyses of the assets/liabilities of the institution, but is not obliged to do so.

The valuation of the assets is subject to the rules set out in Appendix 1.

Art. 2 Investment directives

The investment of the Foundation's assets is subject to the directives set out in the present investment regulations, in the « policy for management of real estate assets » and in the « system of control of real estate activities ». The responsibility for the strategic allocation of the assets as well as of the results of the management falls to the Board of Trustees. The allocation is presented in Appendix 2.

Unless justified by a need to cover, derivatives and futures are not authorised. The use of structured products or hedge funds is in principle not authorised. However, the Investment Committee may exceptionally authorise their use, but in no case for an amount exceeding 10% of the assets (previous month's balance) under the responsibility of the manager who makes such a request.

Investments in emerging country markets are authorised. Investments in commodities are authorised, but only through companies active in this sector, investment funds or trackers.

The Board of Trustees may decide to borrow from third party funds to meet cash flow requirements or to refinance real estate activities. It can make use of the possibility offered in art. 50 al. 4 OPP2 of extending the investment rules, provided that al. 1 to 3 of this same article are respected, as well as the guarantees mentioned in art. 71 al.1 LPP. If the Foundation resorts to a loan, the Investment Committee includes in its regular report to the Board (art.3 al. 8) the appropriate information for a

proper understanding of the opportunity and risks inherent in the situation, in relation with the other existing assets and liabilities.

In the absence of an express written derogation in writing by the Board of Trustees, exposure to a single debtor must not exceed 5% of the total assets of the Foundation. This restriction must be understood as applying to all types of investment concerning the same debtor.

On the explicit authorisation of the Investment Committee, the depository bank may offer securities lending. The authorisation given to the depository bank must always cover a defined period not exceeding one year. The Investment Committee pays particular attention to the percentage of the portfolio loaned to a single counterparty and to the quality of the latter.

Art. 3 Organisation

3.1 Tasks of the Board of Trustees of the Foundation

Responsibility for managing the Foundation's assets falls to the Board of Trustees, which approves the investment regulations and their modifications, and sets the strategic allocation of the fortune.

The Board of Trustees shall nominate the Investment Committee, which carries out, under its responsibility, the monitoring of the ongoing management of the assets. It is composed of 3 to 5 members, of whom at least one half shall form part of the Board of Trustees. The Chairman of the Investment Committee shall be appointed by the Board of Trustees.

The Board of Trustees shall decide on the delegation of the management of the movable and real estate assets to one or several asset managers.

3.2 Tasks of the Investment Committee

The members of the Investment Committee are nominated for a period of 4 years. Their mandate is renewable. The mandates of the members of the Investment Committee who also sit on the Board of Trustees shall expire on the same date for both functions. Unless otherwise explicitly decided by the Board of Trustees, the end of the mandate as member of the Board implies the end of the mandate as member of the Investment Committee.

The Investment Committee :

- assumes the tasks of day-to-day management of assets and real estate investments,
- consults regularly on the evolution of the portfolio and checks the conformity of the management of the mandates given to the asset manager(s), especially according to the management reports of the depository bank,
- meets as often as necessary, but at least twice a year, to evaluate the situation,
- monitors respect of the application of the investment regulations and of the decisions of the Board of Trustees,
- organises the selection process of the asset managers and the other agents involved in asset management,
- proposes to the Board of Trustees revisions of the investment regulations,
- proposes any modifications to the strategic allocation,
- regularly provides the Board of Trustees with a report on its controls, activities, the evolution of the situation and the assets. On the basis of this report, the Board of Trustees checks the execution of the investment of the assets.
- decides on the opportunity of securities lending.

3.3 Tasks of the Chairman of the Investment Committee

The Chairman of the Investment Committee :

- convenes the Committee each time circumstances warrant it,
- is responsible for the monitoring and day-to-day management of liquidities,
- ensures that the execution of the mandates given complies with the investment directives,
- provides the liaison with the agents and arranges for their supervision,
- ensures that minutes are taken of each committee meeting and that these are sent to the management committee as soon as approved,
- informs the members of the Board of Trustees on at least a quarterly basis of the results of the management by sending it a succinct report on the results per manager and globally, covering the past month and from 1 January. As far as possible, it includes the result of the reference index.

Art. 4 Exercise of the rights of the shareholder

As a general rule, the Board of Trustees exercises freely the rights of the shareholder.

If it decides not to follow the recommendations of the Boards of Directors of the companies concerned, it may delegate its rights and powers to the Investment Committee, charging the Committee with analysing the particular situation of the said company before deciding on the position to adopt.

Art. 5 Loyalty in asset management, financial advantages, and conflicts of interest

- 5.1 The Foundation shall authorise the persons who manage and administer the Fund's assets to conclude transactions on their behalf, provided they respect the rules defined in art. 48f al. 2 OPP2.
- 5.2 Except by prior written authorization from the Board of Trustees, transactions carried out by third parties on their own behalf with the assets of the Foundation shall not be authorized.
- 5.3 The asset managers must declare to the Foundation, every year and in writing, whether they have benefited from personal advantages, due to the fact of their contractual link with the Foundation, whether these be pecuniary advantages or in kind, under reserve of art. 6.4. below.
- 5.4 The members of the bodies of the Foundation, as well as the asset managers shall be authorised to receive trifling gifts or occasional presents up to a maximum amount value of CHF 500 or the equivalent. Beyond this, they are required to inform the Board of Trustees.
- 5.5 Persons and institutions not required to inform shall be those to whom the law of 8 November 1934 on banks and savings funds applies.
- 5.6 The asset managers undertake to comply with the principles of loyalty, and to ensure that their staff also respect them.
- 5.7 The asset managers must provide evidence of their affiliation to the Swiss Association of Asset Managers or to a professional association considered as equivalent by the Board of Trustees.
- 5.8 The real estate asset managers must provide evidence of their affiliation to a professional association which has issued rules of deontology that have been approved by the Board of Trustees.
- 5.9 In addition, the organs of the Foundation and the sub-contractors shall ensure that articles 48f-h OPP2 are respected at all times.

Art. 6 Coming into force

The present regulations cancel and replace the regulations which have applied since 1st January 2007. They come into force with retroactive effect on 1st January 2009.

The Board of Trustees of the Foundation

Appendices :

1. Method of evaluation of investments
2. Investment strategy
3. Rules for setting up the market fluctuation reserve
4. Policy for managing real estate assets
- 4.1 Appendix to the policy for managing real estate assets
5. System for monitoring real estate activities

APPENDIX 1**ASSET EVALUATION CONCEPT****Listed securities**

Securities listed on an official stock exchange or securities traded OTC are estimated respectively at their market value or at the last price paid on the date of the balance sheet.

Unlisted securities

Securities not listed on an official stock exchange and not traded OTC are estimated at their real value. This appreciation shall take account of the possibilities of realising the value concerned by seeking recent examples or by proceeding by comparison with similar quoted securities. The Investment Committee shall determine these values.

Unlisted collective investments are evaluated at the last net inventory value (NIV) known before the closing of the balance sheet.

Buildings

Buildings are evaluated at their capital value which is based on the capitalisation of the realisable rentals in the long term. The capitalisation rate is set by the Board of Trustees, in function of the market conditions and the nature of the objects (dwelling, business, mixed, etc.). It is reviewed every 5 years, unless there are exceptional events that might justify its earlier review. This rate is mentioned in the annual report.

Foreign currencies

The evaluation of foreign currencies is based on the currency exchange rate at the date of closing.

Transactions in foreign currencies carried out during the reference period are to be posted systematically at the rates in force between them on the date of the operation.

Market fluctuation reserve

The market fluctuation reserve (MFR), as specified in art. 48^e LPP, is calculated according to the method set out in appendix 3.

APPENDIX 2

INVESTMENT STRATEGY

Grid for allocation of assets (%)

Limits per asset category

(Margins min/max : +/- 40%)

	Strategy	Minimum fluctuation margin	Maximum fluctuation margin
Liquidities (CA / FC / FP)	0	0	40
Bonds in CHF (deb. CH and/or foreign)	31.5	18.9	44.1
Bonds in foreign currencies	10.5	6.3	14.7
Total fixed revenue (excl. cash)	42	25,2	58,8
Shares in CHF and investment funds in shares in CHF	10.5	6.3	14.7
Shares in foreign currencies and investment funds in shares in foreign currencies	17.5	10.5	24.5
Total shares	28	16.8	39.2
Real estate in Switzerland in the form of buildings or of directly held shares in property development companies	30	18	50
Total real estate	30	18	50

Global limits

Securities in companies or investment funds invested in commodities	5 %	0	5 %
Securities in companies or investment funds invested in emerging markets	5 %	0	7.5 %
Total exposure in foreign currencies	--	0	40 %

APPENDIX 2 (continued)**Extension of the investment rules (art. 50 al. 4 OPP2)**

Based on the authorisation conferred on it by law, the Board of Trustees has decided on the following extensions of the rules for investment :

- **Real estate :**
 - o Investments in the real estate sector can be made in Switzerland in the form of directly owned buildings or by shares in property companies within the limits mentioned in the allocation grid.
 - o Investment in a single real estate object may not exceed 10% of the amount of the assets less the loans.
- **Loans :**
 - o Loans at short, medium and long term can be contracted. The sum of the loans may not exceed 25% of the assets of the Foundation.
 - o Loans destined to finance the cash flow may not exceed one year.
 - o The debt guaranteed by buildings or shares in property companies may not exceed 50% of their acquisition value or balance sheet value.
 - o The maximum debt per real estate object is set at 50%.
- **Currencies :**
 - o 40% of the global assets can be invested in foreign currencies without covering the exchange risk.

APPENDIX 3**RULES FOR SETTING UP THE MARKET FLUCTUATION RESERVE**

In conformity with Art. 48e of the Order on the Occupational Old Age and Disability Pension Plan (OPP 2), the aim of this document is to summarize the constitutive regulations for the market fluctuations reserve.

Price fluctuations are essentially linked to the more or less risky nature of the assets held in the portfolio, to their relative weighting within the latter, and to the co-dependencies measured between their respective developments. A risky asset is one in which the scattering of the performances is recognised to be wider than that of the other assets. Exposure to risk is quite obviously even more significant when the weighting of this asset within the portfolio of the institution is high. Finally, if the movements between the assets are strongly correlated, they will add up, but if only weakly or even negatively, the movement of certain assets will be counterbalanced by the inverse movements observed among the others.

Our inability to forecast the future development of the stock markets compels us, by observing the past behaviour of these assets and the way in which they have varied in relation to one another, to estimate the extent of the risks attached to holding a given portfolio of assets. This being noted, recourse to developed statistical techniques will nevertheless enable situations to be simulated. These are admittedly virtual, but nonetheless, given the nature of the assets in question and the character of their interactions, foreseeable.

Furthermore, as it is well established that neither the variations in the price of an asset nor even the correlations between several of them are invariable, it is appropriate to take into consideration the temporally determined character of the results of a simulation. It will thus be necessary to repeat the process at regular intervals, so as to ensure the validity of the previous results and, if need be, to adapt them in function of the new results obtained.

The multiple simulation process makes it possible to highlight a wide range of possible developments in the portfolio of the institution. Some of these will clearly be more probable than others, but a cautious approach entails the consideration of a maximum number of scenarios, even the least probable, and particularly of those that could arise from the conjunction of events that are especially unfavourable for the institution.

This said, the holding of financial assets implies the taking of risks, which can only be totally excluded at an exorbitant cost. The institution has therefore defined, in its evaluation of the reserves to be constituted, a threshold of risk that enables it to disregard the most improbable scenarios generated by the process of multiple simulations. If this threshold is 5%, it will mean that 5% of the unfavourable scenarios will not be taken into consideration in the calculation. The lower the threshold, the more important become the reserves to be constituted. It is traditionally estimated that the threshold ought never to exceed 5%, which means that the reserves should theoretically be sufficient to meet potential losses in 95% of the cases.

Value-at-Risk (VaR) is a statistical concept that enables the determination of the share of the assets that could be lost if a particularly unfavourable scenario came about. This amount is in inverse ratio to the previously mentioned risk tolerance threshold. It is said that a VaR is at 95% if this threshold is 5%. The 95% VaR therefore gives a highest possible simulated financial loss, in view of 5% of the most unfavourable scenarios having been made the dead end.

Having regard to the foregoing, Copré has adopted for the calculation of the market fluctuations a mixed technique involving a joint and long term simulation of the assets it holds. This multiple simulation enables prominence to be given to a large number of possible trends for its assets. In view of their highly improbable character, the most unfavourable of these are excluded. The scenario involving the largest loss is extracted from the remaining sub-set. The amount corresponding to this loss is the VaR. The theoretically predictive validity of this amount is a function of the number of excluded scenarios (risk tolerance threshold). This dimension is expressed as the complement at one [100%] of the risk tolerance threshold. The rate adopted by Copré is 99.5%.

As an additional precaution, Copré has insisted upon taking into consideration an even riskier scenario than that of the VaR at 99.5%, by resorting to the metrical correlative designated in the literature under the terms of Expected Shortfall (ES) or, alternatively, Expected Tail Loss (ETL). This latter figure is obtained by operating the arithmetical average of the values previously excluded as being improbable.

In calculating the ES, Copré has taken into consideration the values corresponding to a half percent of the most unfavourable simulated scenarios (100 values out of a total of 20,000 simulated scenarios). The arithmetical mean of these values is equivalent to the amount held by way of the reserve for market fluctuations.

APPENDIX 4**POLICY FOR MANAGING REAL ESTATE ASSETS**

By virtue in particular of articles 71 LPP, 49a OPP2 and 3 of the Investment Regulations of the Foundation, the Board of Trustees (hereafter referred to as BT) has established the following policy for managing real estate assets:

- 1) This policy sets out the conditions applicable to the acquisition, sale and holding of real estate assets in the Foundation's balance sheet.
- 2) The management of real estate assets is entrusted to a professional asset manager, proposed by the Investment Committee and appointed by the BT, who has the required expertise and in line with article 6 of the Investment Regulations of Copré dated 8 May 2006.
- 3) In accordance with its prerogatives, the Investment Committee verifies the conformity of the real estate investments with the present policy. It notifies the BT in advance of the actions proposed by the asset manager.
- 4) The following can be envisaged in terms of investments:
 - Buildings with residential units to let,
 - Commercial buildings whose location would enhance their attractiveness in periods of slack economic conditions, as well as mixed buildings on condition that the commercial rental income does not represent more than 30% of the gross rental state,
 - Shares in real estate companies holding the whole of the buildings appearing on their balance sheet.
- 5) Unless there are exceptional conditions and subject to the formal agreement of the BT, investments may not be made in shares in investment funds, including investment foundations, invested in property.
- 6) In the absence of a well-founded and documented exception, the following criteria apply for acquisitions:
 - Region: The preferred perimeter for investments is situated between Geneva, Villeneuve and Yverdon.
 - Location: The characteristics of the building must be consistent with its location.
 - Quality: The state of maintenance of the building must be in keeping with the potential for the improvement of its rental condition in the medium term. Its condition must allow the immediate or very rapid letting of the apartments.
 - Ownership: Buildings are acquired as a whole. The acquisition of co-ownership shares must remain the exception. The Foundation does not participate in real estate developments with a

commercial objective. In principle, the buildings acquired are intended to remain in the portfolio.

- Return: The acquisitions are not subject to a theoretical minimum return. However, the net return of the acquisition envisaged may not differ by more than 15% from the return observed on the market where the intended object is located, and considered at the same time as normal by the professionals working regularly on the aforementioned market. The reference return described above may also be derived from studies of the market under consideration performed by a professionally recognised body.

7) At the time of sales, the following criteria must be respected, at least alternatively:

- The building no longer fulfils the criteria required for an acquisition (cf. art. 6),
- The potential for improvement of its return is considered exhausted, while it remains insufficient compared to the average return of the portfolio,
- Its condition would necessitate works that are too onerous with regard to their impact on its assessment,
- The building sold has qualities inferior to those of a potential new acquisition, made impossible by the already full use of the quota allocated to real estate investments in the investment grid.

8) Monitoring organisation and decision-making authorities:

- All proposals for acquisitions or sales must be submitted by the manager to the Investment Committee, which, after analysis of their validity, will submit the projects with a favourable pre-recommendation to the BT for a decision.
- Major works, as well as renovations, envisaged during the course of a financial year must be the object of an overall budget established by the asset manager and submitted to the Investment Committee, which will transmit it to the BT for a decision, after analysis of its validity.
- Within the limits of the annual budget allocated by the BT for this type of work, the renovations are approved by the Managing Director and endorsed by the Secretary-General or by a member of the Management Committee, when the immediate yield of the investment is greater than the rate of capitalisation of the return on the building concerned. If this objective is not achieved, approval must be given by the Management Committee. If the annual budget proves to be insufficient, an additional amount can be authorised by the BT.
- Apart from the case of renovation works mentioned above, all the other budgets approved by the BT within the scope of the annual approval process of the overall budget for works must be validated by the Management Committee before construction work begins.

- In the course of the financial year, the Management Committee has the authority to approve the works off-budget or in excess of the budget for a total amount equivalent to 10% of the annual budget for works and renovations approved by the BT. It must inform the BT, at its next meeting, of the situation of this item.
 - A table for monitoring the budgets must be submitted by the asset manager to the Management Committee at the end of January, the end of April, the end of August and the end of November. In addition, the manager shall submit an activity report to the Management Committee on a quarterly basis, informing it of the principal initiatives carried out in the portfolio during the past period.
- 9) The evaluation of the buildings is the object of a method described in appendix I.

APPENDIX 4.1**TO THE POLICY FOR MANAGING REAL ESTATE ASSETS**

By virtue of art. 9 of the « Policy for Managing Real Estate Assets », the evaluation of properties is carried out according to the method described below :

Real estate is evaluated at its capital value, which is based on the capitalisation of realisable rentals in the long term, more precisely on the dynamic rental status corresponding to the rental status on 1st January of the year following the closing (theoretical rent for January, annualised). The notion of 'dynamic' means that the rent increases established on 1st January are taken into account (expected future revenues). On the other hand, the notions of collection and of vacant premises are not taken into account in the dynamic rental status. These two risks are taken into account through the discount rate.

The discount rate set by the Board of Trustees is **6.5%**, effective since 1st January 2008. It is broken down as follows :

1. Technical tax + longevity margin	4.4%
2. Return on equity	cf. 1)
3. Running expenses	1.4%
4. Maintenance costs	cf. 3)
5. Work required to bring the building up to current standards	0.6%
6. Specific allocations	0%
7. Risk « vacant premises »	0%
8. Others - Losses on debtors	0.1%
- Costs of dynamic management	
- Miscellaneous	

APPENDIX 5**SYSTEM FOR MONITORING REAL ESTATE ACTIVITIES**

By virtue of articles 49, 49a and 50 OPP2, 4 and 6 d of the Foundation's Investment Regulations, investments in real estate assets must be the object of clear procedures and appropriate monitoring.

The procedures are described in the 'policy for managing real estate assets', approved by the Board of Trustees (BT).

The organisation of the monitoring, with respect both to the timeliness and the execution of decisions on real estate investments, is governed in the following way:

Monitoring timeliness:

The decision on the timeliness of a decision affecting the real estate portfolio is solely the responsibility of the bodies of the Foundation.

Proposals for modification of the policy on investments in real estate assets, the purchase or sale of real estate properties are studied in detail by the Investment Committee in order to determine their timeliness in light of the investment strategy in effect.

The Investment Committee also has to give advance notice to the BT of proposals for works at sufficient cost to influence the overall distribution of investments.

After having informed the Management Committee of them, the Investment Committee shall submit for approval by the BT the proposals that it supports.

Apart from renovations or investments for which an immediate return can be expected, decided and approved by the Managing Director within the limits of competence set in article 8 al.3 of the 'policy for managing real estate assets', all other investments must be validated by the Management Committee if they were allowed for within the annual plan of works approved by the BT. If they were not planned, the Management Committee can take decisions, based on the competence attributed to it by article 6 al.5 of the 'policy for managing real estate assets'.

Within the framework of monitoring the activities of the management, the Management Committee shall take the measures that it deems appropriate in order to ensure that the parties involved in the management of real estate investments comply scrupulously with articles 48f-g OPP 2 and 6.9 of the Investment Regulations. It shall ensure in particular:

- that there is no conflict of interest at the expense of the Foundation
- that situations posing a problem are sufficiently and correctly documented
- that the BT is informed of them

- that the certificate stipulated in article 48g OPP 2 be required annually
- that the premises of the manager in charge be the object of a site visit at least once per year
- that the manager submits a detailed quarterly report to the Management Committee, in conformity with article 8 al.6 of the 'policy for managing real estate assets'
- that the Foundation's auditors incorporate the audit of the activities of the manager of the real estate assets into the annual audit plan.

Operational monitoring (monitoring the execution of decisions):

The manager must accept a visit by the Foundation's auditors at any time.

The auditors' inspections shall cover all the aspects of the manager's activities that they judge necessary for the correct execution of their mandate, but in particular:

- compliance with the contractual conditions between the manager and the Foundation within the framework of the invoicing of his services or of those of any other operative
- the estimation of the appropriateness of the comparison between the progress of the work and the amounts invoiced
- the evaluation of potential conflicts of interest
- the comparison between the charges paid by the Foundation and those paid on average in the market, with an equivalent perimeter of activities
- the manager shall sign the present document for agreement with the measures that are demanded of him, and these shall form an integral part of the terms of reference signed between the parties on 26 February 2008 with effect as from 1 January 2008.