

Fondo Complementare di Previdenza

Annual report 2020

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Management Report 2020

Coverage ratio and other key figures

2020 was a good year for the financial markets, generating a net performance in the management of the assets of Fondo Complementare di Previdenza EFG SA ("Fondo") of 3.14%. As a direct consequence of the positive financial results, **the coverage ratio reaches 106.2% as of 31.12.2020** despite the creation of a reserve for a future reduction of the technical interest rate from 1.75% to 0.75% for pensioners and the creation of a reserve for the annual remuneration of the retirement assets of active insureds in 2021 of 2%.

The annual accounts of Fondo closed the year with a **fluctuation reserve of CHF 8.9 mln**. The target set for this reserve corresponds to 19.5% of the Pension liabilities as of 31.12.2020, therefore CHF 28.3 mln. A pension fund that can count on the full constitution of the fluctuation reserve has a greater risk capacity and financial strength to face the future with confidence.

The Net pension assets of Fondo amount to CHF 153.9 mln, whilst the Pension capital and actuarial provisions amount to CHF 145.0 mln.

Summary of "key figures"	31.12.2020	31.12.2019
Coverage ratio	106.2%	112%
Technical interest rate	1.75%	1.75%
Net investment performance in %	+3.14%	+11.10%
Fluctuation reserve (target 31.12.2020 = CHF 28.3 mln)	CHF 8.9 mln	CHF 17.8 mln
Net pension assets	CHF 153.9 mln	CHF 167.1 mln
Pension liabilities and actuarial provisions	CHF 145.0 mln	CHF 149.3 mln

Activities of the “Steering Committee Pension Funds EFG”

The “**Steering Committee Pension Funds EFG**”, a committee led by the President of Fondazione di Previdenza EFG SA (“Fondazione”) and of Fondo Yves Bersier and established in autumn 2019 by the Employer, aims to define the pension solutions to be adopted for all EFG employees and the future structure organization to achieve the integration of the EFG (ex-BSI) and EFG / Trianon Pension Funds, ensuring the demographic-financial balance in the long term.

In collaboration with the Board of Fondazione and that of Fondo (together “Fondazioni EFG”), during 2020, the committee assessed in a detailed and systematic way the economic and financial situation of Fondazioni EFG, which for years has had a complicated and problematic demographic structure in consideration of the constant increase in the longevity of pensioners and the growing volatility of the financial markets.

With the effective contribution of the Employer EFG and the approval of the Supervisory Authority, a restructuring of the Fondazioni EFG was finalized in the interest of all active insureds and pensioners. The new organizational structure implemented starting from 1.1.2021 consists in the creation within Fondazione of an Internal Pensioners Fund (“CPR”), which groups together the assets and liabilities relating to the pensioners of Fondazione and Fondo as of 31.12.2020 (including the retirements of December 2020), with the aim of better ensuring the future financial commitments of the Pension Fund towards pensioners.

The operation involved the transfer from Fondo to Fondazione of all the beneficiaries of annuities existing as at 31.12.2020 (net transferred assets of CHF 105.8 million). The transition took place through an asset transfer contract pursuant to art. 98 LFus valid from 1.1.2021.

In order to mitigate the impact of any adverse financial market fluctuations in the management of CPR, the Employer EFG has decided to contribute with an Employer Contribution Reserve of CHF 52 mln paid in January 2021. The CPR’s assets and the aforementioned reserve are subject to a separate management mandate from the investments relating to the active insureds of Fondazione, with financial instruments and strategies suitable for achieving the returns necessary to ensure future annuities.

Active insureds of Fondazione and Fondo and new pensioners from 2021 are regrouped in a separate internal fund which will continue to have its own management mandate, with the aim of making the most of market opportunities and ensuring remuneration of retirement savings in line with the returns obtained.

To enable the above to be achieved, the Investment Committee of Fondazione, in close collaboration with the Boards, the Investment Controller of Fondazioni EFG PPCmetrics AG, Zurich and the asset manager EFG Asset Management SA (“EFGAM”), reviewed the investment strategy leading to the definition of new strategic “Asset Allocations” targeted for CPR and for active insureds. The Investment Regulations of Fondo were consequently updated and approved by the Foundation Board on 29.1.2021. During the first weeks of 2021, the new asset management mandate was signed with EFGAM.

The realization of this project, also called “Pensioners Ring Fencing”, is a fundamental and decisive step to be able to face the next steps to arrive at an integrated organizational reorganization of the EFG Pension Funds.

The Steering Committee and the Foundation Boards are continuing to work to evaluate the harmonization of pension benefits of EFG employees as a whole, starting with the alignment of financing forms and pension benefits for the insureds of EFG Pension Funds (Ex-BSI) and EFG / Trianon.

With the intention of aligning with market trends and needs, and being able to offer services to insureds in line with what is offered by competitors, we anticipate that the Steering Committee is also evaluating the introduction of the so-called “1e plans” (from art. 1e of the Ordinance on Occupational Retirement, Survivors and Disability - OPP 2), in which high-salary insured persons have the option of choosing between several investment strategies.

We will not fail to keep you informed on developments in our work.

Maintenance of pension insurance according to art. 47a BVG

From 1.1.2021 the new Article 47a of the Federal Law on Occupational Retirement, Survivors and Disability Pension Plans (LPP) came into force. This new article introduces an important innovation with the aim of protecting and offering an opportunity to people fired by their employer at an advanced age, when the search for a new job becomes complicated.

The new article provides that, if an insured person is dismissed by the employer after the age of 58, he can request the continuation of the pension insurance at his pension fund until the age of ordinary regulatory retirement. Insured persons who continue insurance based on this principle are equal in rights and duties to the rest of the active population.

This new article come into force only for foundations included in the registry of occupational retirement in compliance with article 48 LPP. Fondo offers occupational retirement coverage purely above the mandatory amounts foreseen by the LPP following the Federal Law on Occupational Retirement, Survivors and Disability Pension Plans and is not included in the registry of occupational retirement. Therefore, the new article 47a as been adopted only in the Pension fund regulation of Fondazione.

Retrospective and outlook of the financial markets

Despite the crisis linked to Covid-19, 2020 was a positive year for the markets thanks to monetary and fiscal stimuli.

Inflation rates have dropped below zero in the Eurozone, Japan and the UK as well. Central banks have indicated that they will maintain an expansionary monetary policy until the economy has clearly recovered. The development of vaccines, the Brexit deal and the new US fiscal stimulus have pushed the markets to all-time highs. Growth prospects for 2021 are good, although a key issue concerns mass vaccination.

The US and Asian markets offer the best prospects. The former will be underpinned by strong earnings momentum, an accommodating Fed and a more predictable administration. The latter has been more successful than other regions in fighting the pandemic and is poised to benefit from a rebound in global trade.

At the end of 2020, Fondo's asset manager EFGAM was slightly overweight in the equity sector, with the aim of increasing exposure as the macro picture becomes clearer and more positive. The attractiveness of fixed income is limited to convertible, hybrid and emerging market bonds. As with equities, he expects to gradually increase the risk in the asset class.

Despite a historic recession and the uncertainties surrounding Covid-19, all asset classes ended 2020 positively, except for European equities and commodities.

In the equity sector, after a sharp collapse in February / March 2020, the markets gradually recovered thanks to massive interventions by central banks and governments and the gradual relaxation of the restrictive measures dictated by the pandemic. There was then an acceleration of the prices in November, after the American elections and especially after the prospect of a vaccine against Covid-19 which has lightened the mood of investors. However, the dispersion of performance across regions in investment styles and sectors was large. Double-digit yields in the US and some emerging Asian markets such as China made a strong positive contribution, while mainland Europe and the UK contributed negatively.

In the bond sector Long-term interest rates have fallen in all the major advanced economies, reflecting the liquidity support provided by central banks and heightened fears of an economic slowdown. Following the gradual extension of the epidemic containment measures, the preference of investors for financial assets deemed more secure has greatly increased. Bonds from emerging countries were hit by risk aversion, in particular local currency issues were penalized.

The real estate sector recovered well during the last months of 2020, especially that linked to residential properties, registering decidedly positive performances.

Although we were facing an unprecedented situation, in managing the 2020 portfolio we had to focus on the soundness of investments, acting rationally and analysing all the economic aspects and the related impacts on the financial markets. We remain constantly vigilant on the fundamentals and ready to act in case there is an adverse evolution to our base scenario.

Conclusion

Also in 2020, the results of the asset management were satisfactory and contributed to maintaining the financial stability of Fondo.

In close collaboration with the Employer, the “Pensioners Ring Fencing” project was successfully implemented on 1.1.2021, with the important injection by EFG of CHF 52 mln as Employer Contribution Reserve to ensure the CPR in Fondazione.

With the new organizational structure and more solid financial grounds, we are working with renewed energy on the next stages of the project, in order to arrive at an integrated pension solution valid for all EFG insured, starting with the harmonization of financing forms and pension benefits for all EFG employees, up to the possible introduction of the so-called “1e plans”.

We are sure that all members of the Board, together with the Administration and in collaboration with the Employer, will be able to face the challenges that will arise with the utmost determination and professionalism.

We wish to thank all colleagues who have worked with commitment and motivation in the interest of all insureds.



Yves Bersier
President of the Board



Michele Casartelli
Foundation Manager

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Balance sheet

ASSETS	NOTES	CHF 31.12.2020	CHF 31.12.2019
Investments		155'436'794	170'718'598
Liquid funds	6.3	2'532'334	6'149'967
Credits towards Helvetia SA		241'896	351'448
Credits for withholding tax		888'355	664'766
Swiss bonds	6.3	28'957'318	32'909'200
Foreign bonds	6.3	28'117'171	37'897'302
Swiss equities	6.3	10'297'565	9'553'093
Foreign equities	6.3	48'626'074	49'593'763
Swiss real estate funds	6.3	24'562'167	22'051'166
Foreign real estate funds	6.3	11'213'914	11'547'893
Prepayments and accrued income	7.1	0	0
Total assets		155'436'794	170'718'598
LIABILITIES			
Accounts payables		441'994	3'512'265
Vested benefits to be paid		0	2'653'398
Retirement capital to be paid		441'994	858'867
Accrued liabilities and deferred income	7.2	1'090'973	93'939
Employer Contribution Reserve (ECR) without waiver of use	5.9	0	0
Pension liabilities and actuarial provisions		144'962'175	149'269'969
Active employees' liabilities	5.2	43'397'211	55'709'559
Pensioners' liabilities	5.4	87'852'299	90'705'861
Actuarial provisions	5.5	13'712'665	2'854'549
Fluctuation reserve	6.2	8'941'652	17'842'425
Dotation capital and free funds / underfunding		0	0
Dotation capital		100'000	100'000
<i>Free funds / underfunding</i>			
Balance at the beginning of the period		-100'000	-100'000
Income surplus / (-) Expense surplus of the period		0	0
Balance at the end of the period		-100'000	-100'000
Total liabilities		155'436'794	170'718'598

Operating account

	NOTES	CHF 2020	CHF 2019
Ordinary and other contributions, buy-ins		4'487'084	3'499'296
<i>Employer contributions</i>			
Ordinary contributions		2'324'732	2'855'730
Extraordinary contributions		0	150'000
<i>Use of Employer contribution reserve</i>	5.9	0	-2'150'503
<i>Employee contributions</i>			
Ordinary contributions		1'106'253	1'352'069
One-time payments and purchase amounts	5.2	1'056'099	1'292'000
Entry lump sum transfers		120'505	83'342
Earnings from Vested benefit transfers	5.2	100'505	63'342
Buy-ins and reimbursement from divorce	5.2	20'000	20'000
Income from contributions and entry payments		4'607'589	3'582'638
Regulatory benefits		-8'460'745	-7'917'695
Retirement pensions		-5'280'255	-5'223'902
Spouse pensions		-505'484	-498'282
Orphan and children pensions		-66'776	-107'345
Retirement capital	5.2	-2'608'230	-2'088'166
Termination benefits		-13'979'921	-14'408'413
Departures of Vested benefits	5.2	-13'775'179	-14'070'413
Withdrawals for residential property and divorce	5.2	-204'742	-338'000
Expenses for benefits and withdrawals		-22'440'666	-22'326'108
Release / (-) creation of Pension liabilities, Actuarial provisions and ECR		4'301'225	17'253'862
Variation in Active employees' liabilities		13'358'199	13'794'641
Variation in Pensioners' liabilities		2'853'562	-1'608'073
Variation in Actuarial provisions		-10'858'116	2'918'115
Interest on vested benefits paid		-6'569	-1'324
Interest on retirement savings capital	5.2	-1'045'851	0
Release / (-) creation of Employer Contribution Reserve	5.9	0	2'150'503
Income from insurance benefits		115'498	91'469
Insurance benefits		19'220	19'220
Share of insurance surplus		96'278	72'249

Operating account (2nd part)

	NOTES	CHF 2020	CHF 2019
Insurance expenses		-269'092	-376'087
Insurance premium	5.1	-263'551	-370'244
Contribution to Guarantee Fund		-5'541	-5'843
Net income from insurance activities		-13'685'446	-1'774'226
Net income from investments	6.6	5'099'561	19'009'632
Income from Liquid funds		-295'708	-25'524
Income from Swiss bonds		501'115	1'141'688
Income from Foreign bonds		1'657'594	1'859'019
Income from Swiss equities		479'214	1'909'722
Income from Foreign equities		8'037'987	10'005'317
Income from Swiss real estate funds		2'596'281	4'436'338
Income from Foreign real estate funds		111'068	668'125
Income from Derivatives	6.5	-7'057'371	-151'956
Retrocessions received	6.9	10'428	22'357
Asset management expenses	6.7	-941'047	-855'454
Other income		1'575	2'519
General administration expenses		-316'462	-294'410
Actuary activities		-29'574	-17'017
External Audit		-20'678	-20'610
Supervisory authority		-6'987	-6'698
Marketing and advertising		-3'537	-1'537
General administration		-255'686	-248'548
Income / (-) Expenses before creating / releasing of Fluctuation reserve	5.10	-8'900'772	16'943'515
Release / (-) creation of Fluctuation reserve	6.2	8'900'772	-16'943'515
Income surplus / (-) Expense surplus of the period		0	0

Notes to the 2020 Financial Statements

1. General information and organization

1.1. Legal form and objective

“Fondo Complementare di Previdenza EFG SA” (hereinafter the Fondo) is a pension fund pursuant to article 80 and seq. of the Swiss Civil Code (hereinafter CC), article 331 of the Code of Obligations (hereinafter CO) and article 48, paragraph 2 of the Federal Law on Occupational Retirement, Survivors and Disability Pension Plans (hereinafter LPP).

The Fondo was founded on 16 April 1984 and in 2017 has changed its name from “Fondo Complementare di Previdenza BSI SA” to “Fondo Complementare di Previdenza EFG SA”.

The Fondo’s objective is to provide occupational retirement coverage above the mandatory amounts foreseen by the LPP, against the economic consequences of old age, death and disability in favor of the employees of the Founder already insured with the Fondo by 30.6.2017 and all persons employed from 1.7.2017 in Ticino by EFG and by the entities affiliated with the Fondo, insofar as they have entered into an affiliation agreement, as well as the employees of the Fondazione di Previdenza EFG SA (hereinafter the “Fondazione”), their relatives and survivors.

Inclusion of an affiliated entity is made through a special written agreement, subject to the Supervisory Authority.

The objective of the Fondo is pursued through the management of an integrative insurance plan, issued according to the *defined contribution plan*, denominated “Piano Complementare” with the following purposes:

- The insurance of the portion of fixed salary not insured by Fondazione;
- The savings on surplus coming from purchases or distribution of free assets.

For more details on the structure of the insurance plans, please refer to section 3.

1.2. LPP and Guarantee Fund registrations

The Fondo offers occupational retirement coverage above the mandatory amounts foreseen by the LPP following the Federal Law on Occupational Retirement, Survivors and Disability Pension Plans (LPP).

The Fondo is not included in the registry of occupational retirement but is subject to the Federal Law on Vesting in Occupational Retirement, Survivors’ and Disability Pension Plans (LFLP).

The Fondo pays contributions to the LPP Guarantee Fund.

The Fondo is located at the offices of the Lugano branch of the Founder, “EFG Bank SA” (EFG), at via Magatti 2, Lugano.

1.3. Information about Statute and Regulations

	In force from	Note
Statute	4.9.2017	Approved by the Foundation Board on 4.9.2017 Approved by the Supervisory Authority on 15.9.2017
Organization regulation	26.7.2017	Approved by the Foundation Board on 26.7.2017
Electoral regulation for the nomination of the delegates meeting and the representatives of the active employees in the Foundation Board	26.7.2017	Approved by the Foundation Board on 26.7.2017
Pension fund regulation for complementary plan for employees and pensioners who were insured with "Fondo Complementare di Previdenza EFG SA" as at 30.6.2017 (Plan 1)	1.1.2021	Approved by the Foundation Board on 23.11.2020
Pension fund regulation for complementary plan (Plan 2)	1.1.2021	Approved by the Foundation Board on 23.11.2020
Regulation on partial and full liquidation and merger	1.1.2018	Approved by the Supervisory Authority on 27.2.2018
Regulation of actuarial provisions	31.12.2020	Approved by the Foundation Board on 29.1.2021
Investment regulation	1.1.2021	Approved by the Foundation Board on 29.1.2021

All individuals in charge of the management or administration of the Fondo or its assets shall comply with provisions on *loyalty* and *integrity*, as established in the LPP and the decree on Occupational Retirement, Survivors and Disability Pension plans (OPP2) (article 51b LPP, article 48g OPP2), and in the Organization regulation, as well as in the ethical standards relating for the members of the Swiss Association of Pension Funds (ASIP Charter and relevant guidelines). The Foundation Board has taken all required measures to verify compliance of such provisions.

1.4. Governing bodies and signing authorities

1.4.1. Foundation Board

	Role	Mandate duration	Representatives	Signing authorities
Bersier Yves	Chairman	1/2020-12/2024	Employer	joint signature of two authorized signatories
Antonini Massimo	Vice-Chairman	7/2018-6/2022	Employees	joint signature of two authorized signatories
Rodel Michael	Member	1/2020-12/2024	Employer	joint signature of two authorized signatories (with Chairman, Vice Chairman or Manager)
Balmelli Roberto	Member / Secretary	1/2019-6/2022	Employees	joint signature of two authorized signatories (with Chairman, Vice Chairman or Manager)

Modifications in the composition of the Foundation Board:

No changes were made to the composition of the Foundation Board during 2020.

1.4.2. Delegates' Meeting

The Delegates' Meeting operates as an advisory and general control body of the Fondo.

At the end of 2020, the Delegates' Meeting is composed as follows:

- **Active employees:** Balmelli Roberto, Butti Alessandro, Moser Christian, Palmisano Antonio, Spaggiari Antonella
- **Pension beneficiaries:** Castelli Giuliano, Etter Walter, Fioroni Giampiero, Gajo Ermanno

As of 1.1.2021, a new organizational structure was implemented whereby an Internal pensioners Fund (CPR) was set up within the Fondazione with accounts, balance sheet, funding ratio and separate asset management, into which all pensioners of the Fondo as at 31.12.2020 were also incorporated (see note 10). The four delegates of the Fondo are already also delegates of the Fondazione.

1.4.3. Management

Starting from 1.1.2012, an independent administrative department has been created within the Fondazione by the employer in order to carry out administrative management, technical, accounting and business activities of the Fondazione and similar pension funds. Tasks and responsibilities are defined by the Foundation Board. The Foundation Manager can delegate some of his/her tasks to reports or other external consultants. Administrative, technical-accounting, business and financial-accounting management is performed by the Fondazione also with regards to the Fondo.

1.5. Experts, auditors, advisors, Supervisory Authority

		Note
Accredited pension actuary	Towers Watson AG ("TW"), Zurich: Zanella Peter	
Auditor	Ernst & Young SA, Lugano: Erico Bertoli / Michele Balestra	
Supervisory Authority	Vigilanza sulle fondazioni e LPP della Svizzera Orientale, Muralto: Fianza Paco	
Custodian banks / Asset manager / Portfolio manager	EFG Bank SA, Lugano branch	The bank has delegated from 1.1.2020 the Fondo's Portfolio Manager activities to its subsidiary with 100% participation "EFG Asset Management (Switzerland) SA" (EFGAM), Geneva. EFGAM is a financial services provider authorised by FINMA underlying in Switzerland to the supervision of the federal Authority on the financial markets supervision.
	Client Relationship Manager: Boschung Martin	Head Portfolio Manager D'Agostino Francesco (Deputy: Orelli Luca).
	UBS Switzerland AG, Lugano	For the deposit of the investment in foreign real estate funds ("UBS Funds" see note 6).
Investment Controller / Asset & Liability Management studies (ALM)	PPCMetrics SA, Zurich: Fusetti Alfredo	

1.6. Affiliated employers

The amount of affiliated companies has developed as follows:

Development	EFG Bank AG	Fondazione di previdenza EFG SA	Dreieck Fiduciaria SA	Patrimony 1873 SA	EFG Asset Management International (CH) SA	EFG AG ⁵	Total 2020	Total 2019
Situation at 1.1.	174	1	1	20	12	1	209	249
+ / - Transfers	1			-1			-	-
+ Entries ¹	9			2			11	21
- Departures ² / Deaths	-24		-1	-11		-1	-37	-53
- Retirements ³ / Disability	-6			-1			-7	-8
Situation at 31.12.⁴	154	1	-	9	12	-	176	209

Remarks:

¹ It includes entries and departures within the year.

² It includes resignations at 31.12, as well as entries and departures within the year.

³ Partial retirements and disabilities are not taken into account because the participant is still partly an active employee. The item includes both regular retirements and early retirements, including those starting on 1st January of the following year.

⁴ Participants with part-time contracts are considered as units.

⁵ Last year this affiliated entity was wrongly reported under "EFG Bank AG".

In 2020, the number of active employees fell by -33 units in net terms (2019: -40).

Although the number of the departures resulting from the dismissals by the employer EFG for restructuring with a social plan is significant, the requirements for a partial liquidation of the Fondo as at 31.12.2020 are not met (see note 9.3).

On 31.12.2020, the affiliation contract with Dreieck Fiduciaria AG was terminated, which led to the departure of the only insured employee.

In 2020 there were no new disabled persons and no death of active employees occurred.

2. Active employees and pensioners

2.1. Active employees

Structure by gender	Plan 1*	Plan 2*	31.12.2020	31.12.2019
Men	132	12	144	170
Women	31	1	32	39
Total	163	13	176	209

* See section 3 for more detailed information in relation to the two plans.

The women to men ratio has remained virtually unchanged compared to 2019.

Structure by age range	31.12.2020	31.12.2019
24-32 years	1	1
33-42 years	16	17
43-54 years	107	127
From 55 years	52	64
Total	176	209
Average age	51.5	51.3

The “43-54 years” of age range, despite having recorded the highest number of departures in 2020 (-20), remains the most populous, amounting to 60.79% of the total number of active members (2019: 60.76%). The slight increase in the average age of the insured and the higher number of active members in the last two age groups shows a lack of generational turnover in the employers.

The trend of the active employees amount in the year is included in note 1.6.

2.2. Pensioners

Development	Retirement pensions beneficiaries ¹	Disability pensions beneficiaries ²	Spouse pensions beneficiaries	Children pensions beneficiaries ³	Total 2020	Total 2019
Situation at 1.1.	129	2	22	17	170	167
+ Entries	2	-	1	-	3	10
+ / - Conversions	-	-	-	-	-	-
- Deaths / Terminations	-1	-	-1	-4	-6	-7
Situation at 31.12.	130	2	22	13	167	170

Remarks:

¹ It includes early and ordinary retirements.

² At ordinary retiring age, disability benefits are turned into retirement benefits. Partial invalid is considered as a unit. In case of partially active employees, the participant is considered both as active employee and disabled beneficiary.

³ It includes the children of beneficiaries (of retirement and disability benefits) and orphans.

The net amount has decreased by -3 units compared to last year (variation 2018/2019: +3 units).

Only 2 of the 7 pre-retirements of 2020 increase the number of the “pensions beneficiaries” as the remaining insured have withdrawn the retirement savings in the form of a lump sum retirement capital.

The 167 pensioners include 3 individuals for whom the Fondo is refunded of the paid benefits by the insurance company “Helvetia” (2019: 3), since the Pension Fund has reinsured the disability and death risk (see note 5.1).

Structure by age range	Retirement pensions beneficiaries	Disability pensions beneficiaries	Spouse pensions beneficiaries	Children pensions beneficiaries	Total 2020	Total 2019
Less than 18 years	-	-	-	5	5	6
18-24 years	-	-	-	8	8	10
25-54 years	-	-	-	-	-	1
55-64 years	25	2	4	-	31	35
65-74 years	59	-	9	-	68	64
75-84 years	34	-	5	-	39	37
85-94 years	11	-	4	-	15	15
Above 94 years	1	-	-	-	1	2
Total	130	2	22	13	167	170
Average age					68.7	67

None of the 2 invalids in the table receives a disability pension. The Retirement savings capital will be accrued until the retirement age, when a lump sum capital or a retirement pension will be paid.

2.3. Ratio between active employees and pensioners

The ratio between active employees and pensioners has changed from 1.23 on 31.12.2019 to 1.05 on 31.12.2020.

The significant contraction in the number of employees has caused yet another worsening of the demographic ratio despite the fact that the number of pensioners has also decreased.

In order to limit the economic-financial impacts of the negative trend on the demographic ratio, thanks to the active contribution of the EFG Employer and with the approval of the Supervisory Authority, a new organizational structure was implemented from 1.1.2021 (see note 1.4.2) which provides for the creation within the Fondazione of an Internal pensioners Fund (CPR), with accounts, balance sheet, coverage ratio and separate asset management. All pensioners of the Fondo at 31.12.2020 were incorporated into the CPR together with their assets and liabilities under the asset transfer agreement between the Fondo and the Fondazione (see note 10).

3. Structure of the pension plans

3.1. Explanation of the pension plans

Since the acquisition of BSI in 2017 by EFG, the Fondo has had two “defined contribution” pension plans:

- “Plan 1” for employees already insured by Fondo as of 30.6.2017,
- “Plan 2” for all employees employed in Ticino by EFG and by affiliated employers, from 1.7.2017.

The following table offers an overview of the benefits of the two plans valid from 1.1.2021:

	Pension fund regulation for complementary plan for employees and pensioners who were insured with “Fondo Complementare di Previdenza EFG SA” as at 30.6.2017 – Plan 1	Pension fund regulation for complementary plan – Plan 2
RETIREMENT AGE		
Ordinary retirement age	64 years for women and men	64 years for women 65 years for men
Minimum retirement age	60 years for women and men	60 years for women and men
Maximum retirement age	70 years for women and men	70 years for women and men
RETIREMENT BENEFITS		
Type of benefit	Pension or capital (up to 100% of the employees’ liabilities)	Pension or capital (up to 100% of the employees’ liabilities)
Retirement pension	Retirement savings capital multiplied by conversion rate. From 1.1.2021, the maximum pension is limited to CHF 100,380 in total between the Fondazione and the Fondo (2020: CHF 99,540).	Retirement savings capital multiplied by conversion rate. From 1.1.2021, the maximum pension is limited to CHF 100,380 in total between the Fondazione and the Fondo (2020: CHF 99,540).
Conversion rates in %	Women and men	Women Men
	60 years: 4.51	60 years: 4.51 4.40
	61 years: 4.62	61 years: 4.62 4.51
	62 years: 4.74	62 years: 4.74 4.62
	63 years: 4.87	63 years: 4.87 4.74
	64 years: 5.00	64 years: 5.00 4.87
	65 years: 5.14	65 years: 5.14 5.00
	66 years: 5.30	66 years: 5.30 5.14
	67 years: 5.46	67 years: 5.46 5.30
	68 years: 5.64	68 years: 5.64 5.46
	69 years: 5.83	69 years: 5.83 5.64
	70 years: 6.04	70 years: 6.04 5.83
Children’s retirement benefits	No benefit	No benefit

Pension fund regulation for complementary plan for employees and pensioners who were insured with “Fondo Complementare di Previdenza EFG SA” as at 30.6.2017 – Plan 1

Pension fund regulation for complementary plan – Plan 2

SURVIVORS BENEFITS

Spouse/civil partner's pension	Active employee: 49% of the insured salary (see definition in note 3.2)	Active employee: 50% of the insured salary (see definition in note 3.2)
	Disabled individual: 70% of the disability pension	Disabled individual: 50% of the relevant income for the calculation of the current disability pension
	Pensioner: 50% of the retirement pension	Pensioner: 50% of the retirement pension
Orphan's pension	Active employee: 15% of the insured salary	Active employee: 10% of the insured salary
	Disabled individual: 15% of the of the relevant income for the calculation of the current disability pension	Disabled individual: 10% of the relevant income for the calculation of the current disability pension
	Pensioner: No benefit	Pensioner: No benefit
Lump-sum death benefit	100% of the insured salary	Purchases in maximum retirement benefits, as well as capital savings in the supplementary account “Early retirement redemption”
	+ purchases in maximum retirement benefits, as well as capital savings in the supplementary account “Early retirement redemption” + the amount of Retirement savings capital (after deducting the aforementioned purchases and supplementary accounts) at the time of the active employee's death and net of the cash value of future benefits for survivors	+ the amount of Retirement savings capital (after deducting the aforementioned purchases and supplementary accounts) at the time of the active employee's death and net of the cash value of future benefits for survivors

DISABILITY BENEFITS

Disability pension	70% of the insured salary until ordinary retirement age	60% of the insured salary until ordinary retirement age
Children's disability pension	15% of the insured salary	10% of the insured salary

VESTED BENEFITS

Vested benefits	Vested benefits are defined in compliance with paragraph 8 of the Pension fund regulation	Vested benefits are defined in compliance with paragraph 8 of the Pension fund regulation
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3.2. Financing

The table provides an overview of the main benchmark values of the two pension plans. The Fondo shall bear all management costs.

	Plan 1	Plan 2																																																
Insured salary	The insured salary in principle corresponds to 7/6th of the annual basic salary (fixed annual basic salary excluding bonuses) minus the coordination amount that corresponds to 5/3rd of the single maximum AHV pension (2021: CHF 28'680, 2020: CHF 28'440) and minus 4 times the simple maximum AHV pension (2021: CHF 114'720, 2020: CHF 113'760).	The insured salary is equal to the determining annual salary, which is equal to the fixed basic annual salary according to the contractual provisions with the employer until a maximum of CHF 500'000, without variable components , minus the coordination amount.																																																
	The maximum insured salary corresponds to CHF 500'000 minus 34/7th of the simple maximum AHV pension (2021: CHF 139'302, 2020: CHF 138'137), in proportion to the level of employment.	The coordination amount is equal to 34/7th of the maximum value of the simple AHV pension (2021: CHF 139'302, 2020: CHF 138'137), in proportion to the level of employment.																																																
Total contributions	Standard contribution plan	Standard contribution plan																																																
Percentage of the insured salary	<table border="1"> <thead> <tr> <th>Age</th> <th>Employee</th> <th>Employer</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>18-23</td> <td>2.0%</td> <td>3.0%</td> <td>5.0%</td> </tr> <tr> <td>24-32</td> <td>6.0%</td> <td>17.5%</td> <td>23.5%</td> </tr> <tr> <td>33-42</td> <td>7.0%</td> <td>19.5%</td> <td>26.5%</td> </tr> <tr> <td>43-52</td> <td>8.0%</td> <td>21.5%</td> <td>29.5%</td> </tr> <tr> <td>53-64</td> <td>9.0%</td> <td>24.5%</td> <td>33.5%</td> </tr> </tbody> </table>	Age	Employee	Employer	Total	18-23	2.0%	3.0%	5.0%	24-32	6.0%	17.5%	23.5%	33-42	7.0%	19.5%	26.5%	43-52	8.0%	21.5%	29.5%	53-64	9.0%	24.5%	33.5%	<table border="1"> <thead> <tr> <th>Age</th> <th>Employee</th> <th>Employer</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>18-19</td> <td>0.833%</td> <td>1.667%</td> <td>2.5%</td> </tr> <tr> <td>20-34</td> <td>4.583%</td> <td>9.167%</td> <td>13.75%</td> </tr> <tr> <td>35-44</td> <td>5.583%</td> <td>11.167%</td> <td>16.75%</td> </tr> <tr> <td>45-54</td> <td>6.583%</td> <td>13.167%</td> <td>19.75%</td> </tr> <tr> <td>55-64/65</td> <td>7.583%</td> <td>15.167%</td> <td>22.75%</td> </tr> </tbody> </table>	Age	Employee	Employer	Total	18-19	0.833%	1.667%	2.5%	20-34	4.583%	9.167%	13.75%	35-44	5.583%	11.167%	16.75%	45-54	6.583%	13.167%	19.75%	55-64/65	7.583%	15.167%	22.75%
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Risk contributions	Employee: 2.0%	Employee: 0.833%																																																
Percentage of the insured salary	Employer: 3.0%	Employer: 1.667%																																																

	Plan 1				Plan 2			
Retirement credits	Standard contribution plan				Piano contributivo Standard			
The Savings contributions of the employee and the employer in percentage of the insured salary which are accrued on an annual basis as Retirement savings capital.	Age	Employee	Employer	Total	Age	Employee	Employer	Total
	18-23	0.0%	0.0%	0.0%	18-19	0.0%	0.0%	0.0%
	24-32	4.0%	14.5%	18.5%	20-34	3.75%	7.50%	11.25%
	33-42	5.0%	16.5%	21.5%	35-44	4.75%	9.50%	14.25%
	43-52	6.0%	18.5%	24.5%	45-54	5.75%	11.5%	17.25%
	53-64	7.0%	21.5%	28.5%	55-64/65	6.75%	13.5%	20.25%
	Plus contribution plan (+3%)				Plus contribution plan (+2%)			
	Age	Employee	Employer	Total	Age	Employee	Employer	Total
	18-23	0.0%	0.0%	0.0%	18-19	0.0%	0.0%	0.0%
	24-32	7.0%	14.5%	21.5%	20-34	5.75%	7.5%	13.25%
	33-42	8.0%	16.5%	24.5%	35-44	6.75%	9.5%	16.25%
	43-52	9.0%	18.5%	27.5%	45-54	7.75%	11.5%	19.25%
	53-64	10.0%	21.5%	31.5%	55-64/65	8.75%	13.5%	22.25%
	Top contribution plan (+6%)				Top contribution plan (+4%)			
	Age	Employee	Employer	Total	Age	Employee	Employer	Total
	18-23	0.0%	0.0%	0.0%	18-19	0.0%	0.0%	0.0%
	24-32	10.0%	14.5%	24.5%	20-34	7.75%	7.5%	15.25%
	33-42	11.0%	16.5%	27.5%	35-44	8.75%	9.5%	18.25%
	43-52	12.0%	18.5%	30.5%	45-54	9.75%	11.5%	21.25%
	53-64	13.0%	21.5%	34.5%	55-64/65	10.75%	13.5%	24.25%

3.3. Further information about pension plan activities

All employees of EFG already present prior to the acquisition of BSI, as well as all the employees hired from 1.7.2017 by EFG, or by the other Group companies, in the German and French-speaking part of Switzerland are insured by the Trianon Collective Pension Fund.

With the aim of aligning the pension benefits and the financing forms for all employees of the Group, EFG has created in 2019 the working group “Steering Committee Pension Funds EFG”.

Once the implementation in Fondazione of the new Internal pensioners Fund has been completed (see note 10), the working group will continue its activities, starting with the harmonisation of the financing forms and pension benefits for EFG employees, up to arrive at the possible introduction of the so-called “1e plans”.

The new organisational structure of Fondazione was communicated to all stakeholders (active employees and pensioners) on 13.1.2021. There will be timely updates with the future developments of the activities of this working group.

4. Measurement and accounting standards, continuity

4.1. Statement of compliance with Swiss GAAP FER 26

Pursuant to article 47 of OPP2, the Fondo’s accounts are submitted in compliance with the recommendations on the presentations of accounts Swiss GAAP FER 26 (1.1.2014).

4.2. Accounting and valuation policies

4.2.1. Bookkeeping and accounting policies

Valuation and bookkeeping policies are compliant with CO and OPP2 standards.

The Financial Statements close on 31 December.

Financial accounting is managed internally by the Administration of the Fondazione, management of a part of the assets is entrusted to EFG and subcontracted to EFGAM.

4.2.2. Valuation policies

Securities:	end of the period value
Current accounts:	nominal value adjusted to end of the period exchange rate
Derivatives:	end of the period replacement value
Liabilities:	nominal value

4.3. Changes in accounting, valuation and presentation policies

No modification in the accounting principles, valuation policies and presentation of the accounts have been made during 2020.

5. Actuarial risks, risk coverage and coverage ratio

5.1. Type of risk coverage and re-insurance

The Fondo is a semi-independent pension fund. The risk of *longevity* and the risk connected to the *investment* of assets are fully borne by the Fondo. The risk of *disability* and *death* before the retirement age are covered by a collective reinsurance agreement with the insurance company “Helvetia”, which is in force since 1.1.2009.

The reinsurance contract was renegotiated in 2019 for the three-year period 2020-2022, with the possibility of early cancellation communicated to the counterpart by June 30 of each year.

In 2020 the premium risk rate is equal to 2.53% of the total insured salaries (2019: 2.78%), without charge of premium surcharge but registration of a health reserve on subjects with increased risk.

The total amount of premiums paid during the year is shown in the operating account under the item “Insurance premium”.

5.2. Development of Active employees’ liabilities

The “Active employees’ liabilities” are composed as follows:

	Plan 1	Plan 2	CHF/000 31.12.2020	CHF/000 31.12.2019
Vested benefits	42'773	493	43'266	55'312
Supplementary account “Early retirement redemption”	131		131	398
Total of Active employees’ liabilities	42'904	493	43'397	55'710
Number of Active employees at 31.12.			176	209

In addition to the purchase of maximum benefits, at any moment an active employee can offset in full or in part with personal contributions the reduction of the benefits generated by early retirement. Contributions are accrued in the supplementary account “Early retirement redemption”.

The interest rate on the “Vested benefits” is established at the beginning of each year by the Foundation Board upon consideration of the Fondo’s financial situation.

In the meeting of 7.2.2020 the Board set the interest rate on Vested benefits at 2% for 2020 and, due to the good performance of the year, on 29.1.2021 the Foundation Board confirmed to remunerate at 2% also the Vested benefits in 2021.

Supplementary account “Early retirement redemption” is also subject to interests. The interest rate is established on an annual basis by the Foundation Board. From 2017, the interest rate is in line with the rate on “Vested benefits”.

The trend of “Active employees’ liabilities” is as follows:

	CHF/000 31.12.2020	CHF/000 31.12.2019
Liabilities at 1.1.	55'710	69'504
Employers and employees savings contributions	2'931	3'583
Earnings from Vested benefit transfers	101	63
One-time payments and purchase amounts	1'056	1'292
Buy-ins and reimbursements from divorce	20	20
Withdrawals for residential property and divorce	-205	-338
Departures of Vested benefits	-13'775	-14'070
Retirement capital	-2'608	-2'088
Transfers to Pensioners' liabilities	-879	-2'256
Interest on retirement savings capital	1'046	-
Liabilities at 31.12.	43'397	55'710
Number of active employees at 31.12.	176	209

The decrease in a year by CHF 12.313 mln in “Active employees’ liabilities” is mainly caused by the significant reduction in the number of insured persons in 2020, with the consequent payment of “Departures of Vested benefits” or “Retirement capital” or reclassification of retirement savings in “Pensioners’ liabilities” for the conversion of capital into a pension. In addition, the decreasing trend in the number of active employees over the last three years has also resulted in a constant and significant drop in annual savings contributions.

5.3. Total retirement savings capital in accordance with LPP

The insured benefits are above the LPP minimum of law.

5.4. Development of Pensioners’ liabilities

	CHF/000 31.12.2020	CHF/000 31.12.2019
Situation of Pensioners’ liabilities at 1.1	90'706	89'098
Updating following changes in Pension Fund Regulation and new calculations as of 31.12	-2'854	-3'096
Updating following changes in technical bases	-	-
Updating following changes in technical interest rate	-	4'704
Total of Pensioners’ liabilities at 31.12	87'852	90'706
Number of pensioners’ at 31.12.	167	170

The item “Update following changes in the Pension Fund Regulation and new calculations as of 31 December” includes in 2020:

- For the pensioners of the year that have opted for an old age pension, the capital transfers from the “Active employees’ liabilities” for CHF +0.879 mln.
- The pensions, net of insurance benefits, paid in the period for CHF -5.833 mln.
- The “implicit” interests at the technical interest rate of last year on the initial capital for estimated CHF +1.587 mln.
- Other evolutions of the year in the “passive” population for CHF +0.513 mln (for instance redemptions for deaths, terminations of the pensions for children, conversions of the retirement pensions into spouse pensions, updating of longevity).

The item “Updating following changes in technical interest rate” indicated in 2019 the cost of decreasing the technical interest rate from 2.25% to 1.75%.

5.5. Composition, development and explanation of Actuarial provisions

In order to adequately cover all benefits under regulation and to prevent potential deviations from the actuarial bases, the following actuarial provisions have been implemented.

In all tables in the following paragraphs, the item “Update following changes in the technical rate” indicated in 2019 the cost of decreasing the technical interest rate from 2.25% to 1.75%.

5.5.1. Conversion rate provision (Active employees’)

Conversion rates of active employees are periodically controlled and adjusted to the new actuarial bases and the new technical interest rate. The actuary periodically checks the rates used and suggests to the Foundation Board the modifications which are deemed appropriate and the required provisions to finance the changes. This provision is defined in order to cover the deficit generated by the difference between the *regulatory conversion rate* and the *rate correctly calculated according to the actuarial bases* used. To determine the provision, all employees over 55 years of age and insured according to the defined contribution plan are considered with reference to the regular retirement age.

	CHF/000 31.12.2020	CHF/000 31.12.2019
Situation at 1.1	1'318	1'086
Updating following changes in Pension Fund Regulation and new calculations as of 31.12	-295	-1'023
Updating following changes in technical bases	-	-
Updating following changes in technical interest rate	-	1'255
Situation at 31.12	1'023	1'318

The regulatory conversion rates are based on the following technical bases:

- Active employees already insured with the Fondo as at 30.6.2017 (Plan 1)
 - technical rate: 2.25% on average (until 31.12.2019 2.60% on average)
 - mortality tables: LPP 2015 generational of the year 2020 (until 31.12.2019 LPP 2015 generational of the year 2018).
- Active employees hired in Ticino since 1.7.2017 by EFG Bank AG and by entities affiliated to the Fondo (Plan 2)
 - technical rate: 2.05-2.15% (until 31.12.2019 2.40-2.50%)
 - mortality tables: LPP 2015 generational of the year 2020 (until 31.12.2019 LPP 2015 generational of the year 2018).

Since the regulatory conversion rates are higher than the actuarially neutral ones, this provision has been reconstituted in 2019, with subsequent adjustment of the amounts in 2020.

The reduction in 2020 is mainly due to the utilizations for early retirements of the year and releases for employees who have left over the age of 55.

5.5.2. Interest provision (Active employees' and Invalids)

According to Article 33 of the Pension fund regulation, the Foundation Board decides at the beginning of the year the interest on vested benefits (active insureds and disabled under defined contribution plan) and the supplementary account. Due to this procedure, the Fondo builds a provision for the foreseeable liability. This provision is set for the first time at the end of 2020. The amount of this provision corresponds to the foreseeable cost for one year at an interest rate of 2%.

	CHF/000 31.12.2020	CHF/000 31.12.2019
Situation at 1.1.	-	-
Updating following changes in Pension Fund Regulation and new calculations as of 31.12	869	-
Updating following changes in technical bases	-	-
Updating following changes in technical interest rate	-	-
Situation at 31.12.	869	-

5.5.3. Longevity risk provision (Pensioners')

The overall bank system in Switzerland shows a statistical lower mortality rate (average age of death) than the generate average rate contained in the generational mortality tables used for the period 2020, which discount the average expected future rise in longevity during the retirement period. Subsequently, we expect the pensioners of the Fondo to have a longer average life expectancy, which results in the payment of annuities for a longer period. It is therefore necessary to strengthen the "Pensioners' liabilities" with an additional provision.

The Provision for the longevity risk is calculated assuming that beneficiaries of retirement pensions, spouses and civil partners and recipients of life disability pensions are half a year younger, consequently they will need an annuity paid on average half a year longer than the average duration of retirement annuities according to the generational mortality tables LLP 2015.

The ultimate target of this provision amounts to 1.7% of the total Pensioners' liabilities (without children). As of 31.12.2014, this provision amounted to 0.7% of the total Pensioners' liabilities and it has been increased by 0.25% for every following year until the target will be reached. If the Fondo's coverage ratio on the calculation date exceeds 110%, this provision is immediately set up in full.

As of 31.12.2020, the value of this provision corresponds to the target value equal to 1.7% of the total Pensioners' liabilities (without children).

	CHF/000 31.12.2020	CHF/000 31.12.2019
Situation at 1.1	1'536	1'506
Updating following changes in Pension Fund Regulation and new calculations as of 31.12	-47	-49
Updating following changes in technical bases	-	-
Updating following changes in technical interest rate	-	79
Situation at 31.12	1'489	1'536

5.5.4. Provision for reduction of technical interest rate for Pensioners

A provision for the reduction of the technical interest rate was set up at the end of 2020 with the aim to finance the reduction of the technical interest rate for pensioners from 1.75% to 0.75%. The amount of this provision corresponds to the difference between the actuarial reserves and the technical reserves calculated on the basis of the current technical interest rate of 1.75% and the target technical interest rate of 0.75% and the impact on the longevity generated by a lower technical rate. This reserve is necessary to allow the transfer of the Fondo's pensioners and their pensioner liabilities to the CPR as of 1.1.2021 (see note 10) in accordance to the Ring Fencing concept submitted for approval to the Supervisory Authority (see note 8).

	CHF/000 31.12.2020	CHF/000 31.12.2019
Situation at 1.1	-	3'181
Updating following changes in Pension Fund Regulation and new calculations as of 31.12	10'332	-253
Updating following changes in technical bases	-	-
Updating following changes in technical interest rate	-	-2'928
Situation at 31.12	10'332	-

The provision for technical interest rate reduction has been fully used at the end of 2019 to partially finance the technical interest rate reduction from 2.25% to 1.75%.

5.5.5. Other actuarial provisions

The pension actuary can provide for further provisions, as those illustrated in the "Regulation of actuarial provisions", such as the "Active Employees' Death and Disability Risk Provision", the "Benefit Provision for pending cases", the "Other Actuarial Provisions" for non-regulated cases, which are deemed necessary to suitably finance the pension scheme.

As for 2020, the actuary did not deem necessary to set up any additional actuarial specific provisions (31.12.2019: 0).

5.5.6. Summary of Actuarial provisions

Evolution summary of actuarial provisions	CHF/000 31.12.2020	CHF/000 31.12.2019
Situation at 1.1	2'854	5'773
Updating following changes in Pension Fund Regulation and new calculations as of 31.12	10'859	-1'325
Updating following changes in technical bases	-	-
Updating following changes in technical interest rate	-	-1'594
Situation at 31.12	13'713	2'854

Composition summary of actuarial provisions	CHF/000 31.12.2020	CHF/000 31.12.2019
Conversion rate provision	1'023	1'318
Interest provision	869	-
Longevity risk provision	1'489	1'536
Provision for reduction of technical interest rate for Pensioners	10'332	-
Total of actuarial provisions	13'713	2'854

5.6. Conclusions of the last actuarial report

In February 2021 Towers Watson AG prepared the actuarial report as of 31.12.2020. Fondo reports its pension obligations based on the technical basis BVG 2015, GT 2021 with a technical interest rate of 1.75%. The technical rate at 1.75% is justified by the establishment of the new reserve which finances the reduction to a technical interest rate of 0.75% for pensioners. This reserve is necessary to allow a transfer of the Fondo pensioner liabilities to the Internal pensioners Fund (CPR) as of 1.1.2021 (see note 10) in accordance to the Ring Fencing concept submitted to the Supervisory Authority (see note 8).

The following observations emerge from the document:

- the coverage ratio pursuant to article 44, paragraph 1 OPP2 amounts to 106.2% as of 31.12.2020;
- the technical basis applied do not correspond to the most recent technical bases, the technical tables BVG 2020 have been recently published and will be actuarially implementable in 2021;
- the currently valid regulatory conversion rate (5.0% at ordinary retirement age, 64 in Plan 1 and 64-65 in Plan 2) is above the actuarially neutral conversion rate based on the applied technical bases and the technical interest rate. The Conversion rate provision covers the expected retirement losses for active employees aged 55 and over. However, the regulatory conversion rate must be reviewed regularly;
- due to the continuous reduction in active membership the recapitalization capacity of the Pension fund has further decreased and continues to be challenging. With the aim of better guaranteeing the future financial commitments towards pensioners, all the pensioner of the Fondo, together with all those of the Fondazione have been grouped as at 31.12.2020, into the CPR on 1 January 2021, with separate accounting, assets, balance sheet and internal coverage ratio. To support any unfavorable fluctuations of the CPR assets, the EFG Employer has established an EFG employer contribution reserve of CHF 52 mln. Active members have consequently better opportunities to optimize returns on the market and to ensure that retirement savings are remunerated in line with the returns obtained.

According to the assessment of Towers Watson AG serving as formal legal Pension Expert:

- the pension plan rules with regards to actuarial regulations on pension benefits and their funding are compliant with legal requirements;
- the actuarial provisions cover the promised benefits which are not or not sufficiently covered by contributions or which are subject to fluctuations as well as known or foreseeable obligations;
- the target value of the Fluctuation reserve amounts to 19.5% and is sufficient based on the investment strategy and the selected security level;
- the financing of the risk benefits and administrative costs through contributions is sufficient.

5.7. Technical bases and other significant actuarial assumptions

The relevant actuarial bases and the technical rate for the calculation of the mathematical provisions are defined by the Foundation Board on an annual basis upon proposal of the pension actuary.

As of 31.12.2020, the actuarial calculations have been made according to the following assumptions:

- **LPP 2015 generational actuarial bases of the year 2021** (31.12.2019: LPP 2015 generational bases of the year 2020). The technical bases provide a defined indication on the expected mortality rate, disability rate, marriage likelihood, age of the spouse, number of children and other elements relating to a pension fund's population. Particularly they provide an indication on the average life expectancy of pensioners.
- **Technical rate 1.75%** (31.12.2019: 1.75%). This parameter allows to attach a current value to future pensioners' benefits which can also be seen as the expected long-term return on assets.

5.8. Changes in technical bases and actuarial assumptions

The changes introduced in the Pension fund regulations which entered into force on 1.1.2021 concern only the adjustment of the limit amounts in the occupational retirement and did not have any impact on the financing of benefits and / or on the expected pensions. In addition, the technical-actuarial basis also remained unchanged with respect to the previous closure.

Evolution of Pension liabilities and actuarial provisions	CHF/000 31.12.2020	CHF/000 31.12.2019
Situation at 1.1	149'270	164'375
Updating following changes in Pension Fund Regulation and new calculations as of 31.12	-4'308	-18'215
Updating following changes in technical bases	-	-
Updating following changes in technical interest rate	-	3'110
Situation at 31.12	144'962	149'270

The negative evolution of Pension liabilities and actuarial provisions derives from the decrease in the pension liabilities of the active insured and of the pensioners. The departure of active insured together with pensions terminations or conversions into widowers resulted in a reduction of CHF 15.2 mln partially compensated by the increase of the actuarial provisions for CHF 10.9 mln.

5.9. Employer contribution reserve (ECR) with waiver of use

At 31.12.2020 this reserve is equal to zero.

5.10. Coverage ratio in accordance with article 44 OPP2, paragraph 1

	CHF/000 31.12.2020	CHF/000 31.12.2019
Pension liabilities and actuarial provisions (PL)	144'962	149'270
Total assets	155'437	170'718
./. Accounts payables	-442	-3'512
./. Accrued liabilities and deferred income	-1'091	-94
./. Employer contribution reserve	-	-
Net pension assets (NPA)	153'904	167'112
Coverage ratio (NPA/PL)*100	106.2%	112.0%

In 2020 the coverage ratio is 106.2%, 5.8 percentage points lower than the value of previous year (2019: 112%).

The worsening of the coverage ratio is mainly due to:

- A reduction of Net pension assets of CHF -13.208 mln, due to the heavy outgoings for payments of Vested Benefits and Retirement capital equal to CHF -16.4 mln.
- The reduction of the Pension liabilities was partially compensated with the increase in actuarial provisions of CHF 10.9 mln (see Note 5.8).

The 2020 financial year closed with a loss before the destination to the Fluctuation reserve of CHF -8.900 mln (2019: gain of CHF 16.944 mln).

Such loss is mainly due to the "Net income from investments" of CHF 5.099 mln, not enough to absorb the negative "Net income from insurance activities" of CHF -13.685 mln.

In 2020, the "Net income from investments" gives a return of 3.14% on average investment (see note 6.6, 2019: 11.10%), against a remuneration of Active employees' liabilities in 2020 of 2% and of Pensioners' liabilities for a theoretical 1.75% (but with a provision for the reduction of the technical interest rate to 0.75% see note 5.5.4).

6. Explanatory notes on Investments and Net income from investments

6.1. Organization of investing activity, investment regulation

In compliance with the Organization regulation, the Foundation Board is responsible for the following asset management activities:

- defining the investment policy;
- implementing the investment strategy;
- monitoring and controlling asset management and relevant performances;
- executing all detailed tasks included in the Investment regulation.

The general principles state that the assets of the Fondo are to be managed as follows:

- promised benefits are to be timely paid;
- investment risk capacity is to be complied with, and nominal security of promised benefits is to be guaranteed;
- in the framework of risk capacity, the overall return (current income and value variations) is to be maximized. In so doing, a significant contribution to the real financing of benefits shall be possible in the long term.

As from 1.1.2012, the Foundation Board has entrusted PPCMetrics with the activities of an independent **Investment Controller**.

During 2020 the Fondo invested in securities exclusively using collective funds (without any possibility to bindingly exercise the right of vote) and consequently the Pension Fund has never been called upon to exercise its right of vote pursuant to article 22 of OReSA.

The **asset management**, excluding UBS Funds (see note 1.5), is entrusted to EFG, Lugano branch (employer).

The bank then fully **delegated** to the subsidiary EFGAM the “Misto Attivo” portfolio management mandate, starting from 1.1.2020.

The Portfolio Managers:

- are in charge of asset management related to the different asset classes according to the precise and specific instructions included in the mandate;
- they complete asset transactions based on the guidelines and directives precisely agreed in writing;
- they provide the Fondo with periodical reports on asset performance. To this end, they draft a report on their activity in the period under reporting and they provide a verbal report (if necessary) to the Foundation Manager and/or directly to the Foundation Board.

With effect from 1.1.2021 the Fondo transferred to the Fondazione one part of assets and liabilities relating to pensioners of the Fondo on 31.12.2020, as part of the creation of the internal CPR (see note 10); a revision of the investment strategy of the assets was also necessary, reflected in the new **Investment regulation** approved by the Foundation Board on 29.1.2021. In January 2021, the new **Active Insured Portfolio** mandate was therefore signed, which cancel and replace the “**Misto Attivo**” mandate, still in force as of 31.12.2020 and presented in note 6.4.

The new investment strategy, defined by the regulation and implemented into the new mandate, will enter into force from 1.4.2021, after the transition period dedicated to the gradual adjustment of the portfolio from the situation in place at 31.12.2020 commented on in note 6.3.

6.2. Target value and calculation method of the Fluctuation reserve

	CHF/000 31.12.2020	CHF/000 31.12.2019
Situation at 1.1 of Fluctuation reserve	17'842	899
Release (-) / creation in operating account	-8'900	16'943
Fluctuation reserve at 31.12.	8'942	17'842
Target Fluctuation reserve	28'268	24'331
Shortfall in Fluctuation reserve	19'326	6'489

In order to offset the fluctuations of assets and guarantee the required interest rate on benefits, a Fluctuation reserve has been set up in the liabilities side of the balance sheet. The required size of this reserve is defined according to the so-called financial method illustrated in the Investment regulation.

The Fluctuation reserve is defined by a combination of the historical characteristics of risk (volatility, correlation) with the expected returns (risk free interest rate and risk premium) of the different asset classes; the entire process is based on the investment strategy of the Fondo. Furthermore, the Fluctuation reserve guarantees with a sufficient degree of certainty a minimum interest rate on the pension tied up capital. The size of the Fluctuation reserve is expressed in a percentage of benefits.

In defining the bases for the calculation of the Fluctuation reserve, both the going-concern principle and the money market situation are to be considered.

The functionality of the reserve size is controlled on a yearly basis or, if extraordinary events require it, it is modified by the Foundation Board.

The formula to calculate the Fluctuation reserve is as follows:

$$ROV = \frac{(1 + RM)}{e^{\ln(1 + E(R))t - z\sigma\sqrt{t}}} - 1$$

RM = Minimum Return

E(R) = Expected Return from Strategy

σ = Volatility (Risk) of Strategy

z = Z – Standard distribution score
(based on the chosen confidence level)

t = Time Horizon

The target of the Fluctuation reserve for the current year is 19.5% of the total Pension liabilities and actuarial provisions (31.12.2019: 16.3%).

In 2020 the Fluctuation reserve was decreased of CHF -8.900 mln to fully cover the losses of the year (31.12.2019: provision of CHF 16.943 mln).

6.3. Presentation of investments by category, compliance with OPP2 and Investment regulation limits

	31.12.2020		Global strategy limits from 13.11.2017 ⁵			Limits OPP2	
	Total Assets		Min	Neutro	Max	in %	
	CHF/000	in %					
Operative cash in CHF ¹	1'416	0.9%					
Cash under mandate in CHF ¹	473	0.3%					
Cash under mandate in foreign currencies ¹	643	0.4%					
Money market in CHF ¹	0	0.0%					
Total of liquid funds	2'532	1.6%	0.0%	1.0%	35.0%		
Swiss bonds ¹	28'957	18.8%	17.0%	25.5%	34.0%		
Foreign bonds (hedged) ¹	21'539	13.9%	13.5%	20.5%	27.5%		
Emerging markets bonds ¹	6'578	4.3%	0.0%	0.0%	5.0%		
Total of bonds	57'074	37.0%	30.5%	46.0%	66.5%		
Swiss equities ²	10'298	6.7%	0.0%	5.5%	8.5%		
Foreign equities ²	39'577	25.6%	0.0%	24.0%	33.0%		
Emerging markets equities ²	9'049	5.8%	0.0%	4.5%	6.5%		
Total of equities	58'924	38.1%	0.0%	34.0%	48.0%	50.0%	
Total of alternative investments	0	0.0%	0.0%	0.0%	2.0%	15.0%	
Not quoted Swiss real estate funds ³	0	0.0%	0.0%	0.0%	5.0%		
Quoted Swiss real estate funds ³	24'562	15.9%	9.0%	13.0%	17.0%		
Foreign real estate funds (hedged)	11'214	7.3%	4.0%	6.0%	8.0%	10.0%	
Total of real estate	35'776	23.2%	13.0%	19.0%	30.0%	30.0%	
Total of other assets and prepayment and accrued income¹	1'131	0.7%		0.0%			
Total Assets (art. 49 OPP2)	155'437	100.6%		100.0%			
Replacement values of Open derivatives ⁶	-1'002	-0.6%		0.0%			
Total Net Assets (used in note 6.6)	154'435	100.0%		100.0%			
Foreign currencies unhedged⁴	17'179	11.1%	0.0%	8.5%	17.0%	30.0%	
Cash under mandate with the employer	1'116	0.7%				5.0%	

¹ Individual investment limit per debtor in force since 1.1.2011: 10%

² Limit per participation: 5%

³ Limit per each single real estate property: 5%

⁴ Split of items without hedging for currency risk as contained in the Investment Controlling Report as of 31.12.2020

⁵ Valid until 1.4.2021 due to the new Investment regulation approved on 29.1.2021 (see note 6.2)

⁶ Detail in note 6.5

As of 31.12.2020, all category limits pursuant to OPP2 (article 55) and the fluctuation margins at the level of Total Assets defined by the Investment regulation have been respected. The tactical positioning of EFGAM recorded a slight overweight in the equity sector as at 31.12.2020, with the aim of increasing exposure in 2021 as the macro picture becomes clearer and more positive.

As of 31.12.2020, the total cash of the Fondo amounts to 1.6% of Total Net Assets (2019: 3.6%) and it is composed by:

- Operating cash: CHF 1.416 mln (0.9% of Total Net Assets);
- Cash under "Misto Attivo" mandate (in CHF and foreign currency): CHF 1.116 mln (0.7% of Total Net Assets);

As of 31.12.2020 and 31.12.2019 there are no replacement values registered in the “Prepayments and accrued income”. In “Accrued liabilities and deferred income” items are showed the two open financial derivatives instruments (see detail in note 6.5) with a negative replacement values of CHF -1.002 mln (2019: no value).

6.4. Compliance with EFG asset management mandate limits

The “Misto Attivo” management mandate is still in force at 31.12.2020 (see note 6.1).

This mandate, signed with the Bank on 9.1.2020, only contemplated the change of the asset manager (from Patrimonio to EFGAM), confirming the limits and investment categories defined in the previous mandate.

As of 31.12.2020, all limitations imposed by “Misto Attivo” mandate have been respected:

	31.12.2020		Limits of Misto Attivo mandate until 31.12.2020		
	CHF/000	in %	Min	Neutro	Max
Cash under mandate in CHF	473	0.3%			
Cash under mandate in foreign currencies	643	0.5%			
Money market funds in CHF	0	0.0%			
Total of liquid funds	1'116	0.8%	0.0%	0.0%	30.0%
Swiss bonds	28'957	20.4%	19.0%	27.5%	36.0%
Foreign bonds (hedged)	21'539	15.2%	15.0%	22.0%	29.0%
Emerging markets bonds	6'578	4.7%	0.0%	0.0%	5.0%
Total of bonds	57'074	40.3%	34.0%	49.5%	70.0%
Swiss equities	10'298	7.3%	0.0%	6.0%	8.5%
Foreign equities	39'577	27.9%	0.0%	25.5%	34.5%
Emerging markets equities	9'049	6.4%	0.0%	5.0%	6.5%
Total of equities	58'924	41.6%	0.0%	36.5%	49.5%
Quoted Swiss real estate funds	24'562	17.3%	10.0%	14.0%	18.0%
Total of Swiss real estate	24'562	17.3%	10.0%	14.0%	18.0%
Total of Misto attivo portfolio	141'677	100.0%		100.0%	
Credit for withholding Tax managed by the Administration referred to the Misto Attivo mandate	887				
Replacement value of Open derivatives	-1'002				
Total “Net Assets” Misto Attivo mandate (used in note 6.6)	141'562				

6.5. Open financial derivatives instruments

With the decision of the Foundation Board of 27.4.2020, in order to protect the portfolio from heavy losses in the equity sector given the particular climate of uncertainty generated by the Coronavirus pandemic, two "short futures" contracts were signed.

Despite the volatility of the period, thanks also to the support policies adopted by governments, there were in fact no drawdowns in the equity market in 2020, therefore these contracts led to an overall loss on the Fondo's 2020 operating account of 7.057 mln, of which CHF 1.002 mln unrealized deriving from positions still open as at 31.12.2020:

Sequential	Maturity		Contract value	31.12.2020
			CHF/000	CHF/000
1	19.03.21	SMI Future	5'232	-197
2	19.03.21	MSCI World Index Future	29'141	-805
Total of Replacement values of open derivatives instruments at 31.12.2020				-1'002

At 31.12.2019 there were no open financial derivatives instruments.

6.6. Comments on Net income from investments

For a better understanding of the “Net income from investments”, please refer to the balance sheet and operating account items relating to the total assets of the Fondo or its components, as shown in the following table:

	Total Net Assets	of which Misto Attivo mandate	of which UBS Funds
	CHF/000	CHF/000	CHF/000
Net Assets at 31.12.2020	154'435	141'562	11'214
Assets at 1.1.2020	170'718	155'930	11'548
Average investment	162'577	148'746	11'381
Income from Liquid funds*	-295	-300	
Income from Swiss bonds	501	501	
Income from Foreign bonds	1'658	1'658	
Income from Swiss equities	479	479	
Income from Foreign equities	8'038	8'038	
Income from Swiss real estate funds	2'596	2'596	
Income from Foreign real estate funds	111		111
Income from Derivatives	-7'057	-7'057	
Retrocessions received	10	10	
Asset management expenses	-941	-774	-167
Total of Net income from investments	5'100	5'151	-56
Income in % of average investment at 31.12.2020	3.14%	3.46%	-0.49%
Income in % of average investment at 31.12.2019	11.10%	11.85%	4.26%

* The result of the Total Assets which is not allocated to the 2 components of the investment pertains to operative cash

The “Net income from investments” at 31.12.2020 amount to CHF 5.1 mln (2019: CHF 19.010 mln).

The result obtained remains in positive territory (+3.14%), despite the strong negative impact deriving from the two futures mentioned in note 6.5 with a loss of CHF -7.057 mln (excluding management fees and losses for delta exchange rate on USD). As for last year, the good performances recorded by the Foreign equities and Swiss real estate funds sector are confirmed, slightly lower than the profits of 2019 (respectively CHF -1.967 mln for Foreign equities and CHF -1.840 mln for Swiss real estate funds).

Although with positive results, the performance of the Swiss equity sector declined (CHF -0.641 mln for Swiss bonds, CHF -1.431 mln for Swiss equities).

The “Income from Foreign real estate funds” refers entirely to the UBS Funds, which includes the dividends received for CHF +0.328 mln (2019: CHF +0.671 mln).

Remarks on the “Retrocessions received” are outlined in note 6.9.

6.7. Comments on Asset management expenses

In compliance with articles 65, paragraph 3 LPP and 48a, paragraph 1 OPP2, and pursuant to the Swiss GAAP FER 26, "Asset management expenses" include:

- the expenses pertaining to the period and **directly debited** to the Fondo for completed services and transactions. They include: commission fees for asset management (such as *flat fees* for management commissions, custodian fees and security trading costs); charge of commissions for custodian fees paid by EFG; third party broker commission fees, settlement expenses and tax on single transactions (or "*Transaction and tax cost – TTC*"); "*Product and Volume fees*" in compliance with the "Institutional Fund Access (IFA) – Investment agreement" related to Credit Suisse platform; expenses invoiced from the Investment Controller (or "*Supplementary Cost – SC*");
- **indirect expenses** offset with revenues or assets in the collective investment schemes and calculated according to the "*Total Expense Ratio – TER*". The relevant asset classes' amounts in the "Net income from investments" have increased accordingly.

6.7.1. Total of all recognized cost indicators of collective investment schemes as per operating account

As of 31.12.2020, the total value of collective investment's expense ratios calculated with the TER ratio amounts to CHF 0.528 mln (31.12.2019: CHF 0.443 mln).

6.7.2. Total of Asset management expenses reported in the operating account in % of transparent investments

	CHF/000 31.12.2020	CHF/000 31.12.2019
Direct costs	413	412
Indirect costs (calculated based on the cost ratio TER)	528	443
Total of asset management expenses	941	855
Total of transparent investments	152'776	167'478
Asset management expenses as a % of transparent investments	0.62%	0.51%

Overall TER costs increased by CHF 0.085 mln due to the purchase of equity funds with a higher TER than those already present, but with good prospects for returns.

The percentage ratio is also overestimated due to the negative impact on the value of the Total transparent investments of the futures in the portfolio from April 2020, not present in 2019.

6.7.3. Cost transparency ratio

	CHF/000 31.12.2020	CHF/000 31.12.2019
Transparent investments	152'776	167'478
Investments in "Misto Attivo" mandate and UBS real estate funds	152'776	167'478
Cost transparency ratio	100.0%	100.0%

6.7.4. List of investments for which asset management expenses are unknown (article 48a, paragraph 3 OPP2)

Pursuant to art. 48a, paragraph 3 OPP2, on 31.12.2020 there are no investment without details about asset management expenses (31.12.2019: 0).

6.8. Explanation of investments and other receivables with the employers

Investments with the employers	31.12.2020	in %	Limits OPP2	Article
	CHF/000			
Operative cash in EFG SA	1'416	0.91%		UFAS journal n. 84/486
Cash under mandate in EFG SA	1'116	0.72%	5.00%	57 par.2
Prepayments and accrued income with the employers	0	0.00%		
Total investments with the employers	2'532			
Total Assets (art. 49 OPP2)	155'437	100%		

In case of a bank's pension fund (see UFAS journal N° 84 /486), operating cash should not be calculated as "Investment with the employer" (see 5% limit; article 57 OPP 2) and it shall not affect the Portfolio Manager's activity and performance.

Between the Fondo and EFG there is **collateral contract**, which commits the employer to guarantee the cash of the Fondo deposited on the asset management current accounts ("Misto Attivo" mandate) by setting up a collateral deposit. As of 31.12.2020, the collateral deposited amounts to CHF 1.252 mln with a 112.14% hedging of the invested capital with the employer, against a minimum value of 105%.

6.9. Retrocessions

The Fondo receives retrocessions only from EFG.

During the year Fondo received CHF 2'337 competence 2019 and CHF 8'091 competence for the first half of 2020 (2019: CHF 15'636 competence 2019, CHF 6'721 competence 2018).

From 1.7.2020, all investment funds are "retro-free".

7. Comments on other balance sheet and operating account positions

7.1. Prepayments and accrued income

As of 31.12.2020 and 31.12.2019 there are no "prepayments and accrued income".

7.2. Accrued liabilities and deferred income

	CHF/000 31.12.2020	CHF/000 31.12.2019
Deferred income from revenues pertaining to future periods	5	5
Replacement value of Open derivatives	1'002	-
Invoices to be received and other accrued liabilities	84	89
Accrued liabilities and deferred income	1'091	94

The item "Accrued liabilities and deferred income" is increased by CHF 0.997 mln in 2020. The increase is mainly due to the Replacement value at 31.12.2020 of the Open financial derivatives instruments (see note 6.5). The 2019 figures are reported for the first time, due to the negligible amount they were not shown in tabular form last year.

8. Requirements of the Supervisory Authority

By decision of 19.5.2020, the Supervisory Authority *acknowledged* the 2019 annual report.

On 19.5.2020, the Supervisory Authority confirmed the *formal assessment* of the “Regulation of actuarial provisions” approved by the Foundation Board on 27.4.2020, with validity from 31.12.2019.

Following the meetings of 25.8.2020 in Lugano and 29.9.2020 in San Gallo, with communications of 2.10.2020 and 11.11.2020, the Supervisory Authority expressed a favourable opinion on the Ring Fencing project, implemented on 1.1.2021 (see note 10).

The following documents were also sent to the Supervisory Authority, for which no formal assessment confirmation has yet been received:

- on 21.12.2020 the new “Pension fund regulation”, Plan 1 and 2, approved by the Foundation Board on 23.11.2020, with validity from 1.1.2021;
- on 5.2.2021 the new “Regulation of actuarial provisions”, approved by the Foundation Board on 29.1.2021, with validity from 31.12.2020;
- on 5.2.2021 the new “Investment regulation”, approved by the Foundation Board on 29.1.2021, with validity from 1.1.2021.

9. Further information regarding the financial situation

During 2020 the Foundation Board has informed more than once active employees and pensioners about the situation of the Fondazione and the Fondo (hereinafter the “Fondazioni EFG”).

Specifically:

- With a communication dated 7.2.2020, all active insureds were informed about the change of presidency in the Foundations Boards, in compliance with the principle of alternating presidency between active insureds and employer representatives. The new reference amounts of occupational retirement were also communicated, such as 2020 remuneration interest, 2019 coverage ratio and performance, 2020 pension certificates, higher contribution scales and 2020 purchase possibilities.
- A communication note dated 7.5.2020 posted on the company's web portal, simultaneous to the receipt of the pension certificate 2020, informed all active employees about the updating to the relevant guidelines for readers.
- A communication note dated 19.5.2020 informed all beneficiaries about relevant information, such as the coverage ratio and the performance 2019, renewal of representatives on the Foundations Boards 2020, the Pension fund regulations valid from 1.1.2020.
- On 19.5.2020 detailed information on the annual report 2019 was released and made available to all active employees and pensioners respectively by posting on the company's web portal and public website.
- On 19.10.2020 all active employees were informed about end of the year deadlines.
- With communication dated 20.11.2020, a communication was sent to each pensioner affected by the transfer of the EFG account to Banca Stato containing a response form through which to confirm the banking relationship on which to pay the pension after the transfer of the EFG retail customers to Banca Stato.
- On 5.1.2021, the pension certificates for the fiscal year 2020 were sent to all pension recipients.
- With a communication dated 13.1.2021, all active insureds and pensioners were informed about an important change regarding the new organizational structure of the Fondazioni EFG and the consequent creation of the internal CPR.
- With communication dated 29.1.2021, all active insureds and pensioners were informed about the publication on the internal and public company portal, of the new Pension fund regulation valid from 1.1.2021. Transparency was given on the coverage ratio and performance for the year 2020 and the decisions of the Foundation Board were communicated regarding the interest rates for the year 2021 and the rate used for the projections of the remuneration of vested benefits in the pension certificates. Active insureds were also informed that the publication of the 2021 certificates will take place during the month of May.

9.1. Underfunding / measures taken (article 44 OPP2, paragraph 2)

In 2020 there are no recapitalization measures since not necessary.

In the event of future deterioration in the coverage ratio, the “Steering Committee Pension Funds EFG” (note 3.3) will evaluate any recapitalization measure of the two current employer Pension funds as a whole.

9.2. Waiver of use by the employer of the ECR

At 31.12.2020 this reserve is equal to 0.

9.3. Partial liquidations

The “Regulation on partial and full liquidation and merger” establishes that the conditions for a partial liquidation are fulfilled:

- a) In case of staff reductions, if the number of **involuntary departures** of insured persons and their vested benefits are **at least 10%**. If the staff reduction takes place for the same reason during a period between one and two years, the conditions are also fulfilled;
- b) In case of **abandonment of entire sectors** by the employer or in case of **outsourcing** of entire sectors to other companies not affiliated to the Fondo due to involuntary departures. In both cases the number of the insured persons and of their vested benefits must be **at least 5%**;
- c) If an **affiliation agreement is terminated**. In this case, the number of insured persons must be **at least 5%** of all active employees and pensioners (if the latter are affected by the termination of the affiliation agreement) and at least 5% of the vested benefits (including the Pensioners’ liabilities if the pensioners are affected by the termination of the affiliation agreement). At the time of termination, the affiliation agreement between the leaving company and the Fondo must have been in force for at least two years.

In the two-year period 2019-2020, the number of active insured members has continued to decrease. However, the extent of the reduction due to involuntary exits (22.02% in terms of vested benefits but only 5.62% in terms of number of insured person) does not meet the requirements of a partial liquidation under condition a) of the regulation.

In the same period, no sectors of the employer were abandoned (condition b), but the affiliation contract with Dreieck Fiduciaria SA was terminated on 31.12.2020. The exits due to the termination of the affiliation contract weight for 0.48% in terms of the number of insured and for 0.69% in terms of vested benefits, therefore condition c) of the regulation is not fulfilled.

The assessment will be repeated on the two-year period 2020-2021.

9.4. Separate accounts

Not applicable.

9.5. Pledge of assets

Not applicable.

9.6. Joint liabilities and guarantees

Not applicable.

9.7. Pending legal proceedings

In 2020 no legal proceedings were brought against the Fondo.

9.8. Special business and asset transactions

Not applicable.

10. Events after the balance sheet date

With effect from 1.1.2021 the Fondo (Transferor) transferred to the Fondazione (Recipient) one part of assets and liabilities according to article 98 of the Federal Law on mergers, scission, the transformation and transfer of assets (LFus).

The transfer concerns the assets and liabilities relating to pensioners of the Fondo on 31.12.2020 whose pension rights and claims are transferred to the Recipient with effect from 1.1.2021.

The net transferred assets for CHF 105'824'273 are valued at market value as of 31.12.2020, in accordance with Swiss GAAP RPC 26 and approved by the auditors of the Transferor and the Recipient.

The actuarial liabilities within Fondo relating to pensioners transferred on 1.1.2021 are estimated at 31.12.2020 by the Expert of the Transferor and Recipient.

The total value in excess of the transferred assets is CHF 1.

The pensioners' transferred from Fondo, together with the beneficiaries of Fondazione at 31.12.2020, are managed from 1.1.2021 by the new Internal Pensioners Fund (CPR) of the Fondazione, which benefits of the EFG Employer Contribution Reserve of CHF 52 mln with the aim of reduce the impact of possible negative fluctuations in the markets in CPR assets management.

11. Report of the statutory auditor on the Financial Statements 2020



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To the Foundation Board of

Fondo Complementare di Previdenza EFG SA, Lugano

Lugano, 30 April 2021

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Fondo Complementare di Previdenza EFG SA, which comprise the balance sheet, operating account and notes (pages 7 to 37), for the year ended 31 December 2020.

Foundation Board's responsibility

The Foundation Board is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and with the foundation's deed of formation and the regulations. This responsibility includes designing, implementing and maintaining an internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Foundation Board is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Responsibility of the expert in occupational benefits

In addition to the auditor, the Foundation Board appoints an expert in occupational benefits to conduct the audit. The expert regularly checks whether the occupational benefit scheme can provide assurance that it can fulfil its obligations and that all statutory insurance-related provisions regarding benefits and funding comply with the legal requirements. The reserves necessary for underwriting insurance-related risks should be based on the latest report provided by the expert in occupational benefits in accordance with article 52e paragraph 1 of the Occupational Pensions Act (OPA) and article 48 of the Occupational Pensions Ordinance 2 (OPO 2).

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2020 comply with Swiss law and with the foundation's deed of formation and the regulations.

Report on additional legal and other requirements

We confirm that we meet the legal requirements on licensing (article 52b OPA) and independence (article 34 OPO 2) and that there are no circumstances incompatible with our independence.

Furthermore, we have carried out the audits required by article 52c paragraph 1 OPA and article 35 OPO 2. The Foundation Board is responsible for ensuring that the legal requirements are met and that the statutory and regulatory provisions on organization, management and investments are applied.

We have assessed whether:

- ▶ organization and management comply with the legal and regulatory requirements and whether an internal control exists that is appropriate to the size and complexity of the foundation
- ▶ funds are invested in accordance with legal and regulatory requirements
- ▶ measures have been taken to ensure loyalty in fund management and whether the Governing Body has ensured to a sufficient degree that fund managers fulfill their duties of loyalty and disclosure of interests
- ▶ the available funds or discretionary dividends from insurance contracts have been used in compliance with the legal and regulatory provisions
- ▶ the legally required information and reports have been given to the supervisory authority
- ▶ the pension fund's interests are safeguarded in disclosed transactions with related entities

We confirm that the applicable legal and statutory requirements have been met.

We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd



Erico Bertoli
Licensed audit expert



Michele Balestra
Licensed audit expert
(Auditor in charge)

Enclosure

- ▶ Financial statements (balance sheet, operating account and notes)

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