



Fondazione di Previdenza  
**Annual Report**

**2023**

This is a translation into English of the Annual Report issued in the Italian language and is provided solely for the convenience of English speaking readers. In the event of a contradiction or inconsistencies between the Italian and the English versions of this Annual Report, the Italian version shall be binding.

# Management Report 2023

## 1. Coverage ratio and key figures

As a summary of the overall course of the year 2023, here are some key figures:

Summary of the key figures	Note	31.12.2023	31.12.2022
Coverage ratio	5.10	102.0%	98.5%
Technical interest rate	5.7	1.75% for Active Division 1.132% for CPR <sup>1</sup>	1.75%
Generational tables	5.7	LPP 2020	LPP 2020
Net investment performance in %	6.6	+4.05%	-10.06%
Fluctuation reserve (target 31.12.2023 = CHF 44.6 mln)	6.2	CHF 19.7 mln	CHF 0 mln
Net pension assets	5.10	CHF 869.6 mln	CHF 872.9 mln
Pension liabilities and actuarial provisions	5.10	CHF 852.8 mln	CHF 886.5 mln

<sup>1</sup> Internal Pension Fund for pensioners established on 11.2021.

2023 was a quite good year for financial markets.

As a direct consequence of the positive performance achieved during the year (+4.05%), the Fondazione di Previdenza EFG SA (Fondazione) went from being underfunded in 2022 to being **globally 102% overfunded as at 31.12.2023**.

The financial year 2023 closed with an Income surplus of the period of CHF 30.417 mln, of which CHF 10.710 mln to cover part of the Expense surplus of 2022 (see the Operating account for more details).

Due to the improved economic and global financial situation, the Foundation Board (Board) decided to recognise a remuneration of 1% on the Active employees' liabilities for 2023 (see note 5.5.2). However, in view of the uncertain situation and the fact that the Active Division is not yet fully funded, the interest rate for the year 2024 will remain at zero for withdrawals and retirements from January 2024 until 30.11.2024.

The activities that contributed to the above results, together with the performance of the financial markets, are briefly described below.

### 1.1. Cash-Flow Matching Strategy for Internal Pension Fund of pensioners (CPR)

During 2023, the EFG Pension Funds Steering Committee (Steerco - a committee established in the fall of 2019 by the EFG employer with the aim of defining the pension solutions to be adopted for all EFG employees), with the support of the pension expert Towers Watson (TW), worked on and proposed reviewing the Asset Allocation of the pensioner pool of the Fondazione (CPR Division) with the aim of matching the expected future cash flows for pension payments with the cash generated by a portfolio of Bonds (**Cash Flow Matching - CFM strategy**).

With the approval of the Foundation Board, activities to implement the CFM strategy, were carried out between July and September 2023, thanks to the close collaboration between Lombard Odier Asset Management (LOIM - as Asset manager), the expert TW (for the calculations relating to expected longevity), EFG Asset Management (EFGAM - for the liquidation of the portfolio relating to the previous mandate) and the custodian bank EFG, resulted in the investment of approximately CHF 520 mln of the CPR's assets in individual Bonds corresponding to the expected cash flow for pension payments over the next 22 years (details in note 6.4.1).

The cash flow of the remaining 10 years or so of the CPR's life (approximately CHF 100 mln) is currently invested in Unlisted Real estate, as it offers an attractive risk/return ratio and the bond market for the years after 2042 is not very liquid and offers lower yields (see note 6.3.1).

The positive difference between the technical interest rate and the expected return on the Bond and Unlisted Real estate portfolio will be used to build up reserves to cover future administrative and asset management costs, the risk of credit default and downgrading of the Bonds, the volatility of the Unlisted Real estate sector and over time, a supplementary longevity provision.

## 1.2. Alignment of the Active Division's Investment Strategy with the EFG/FCT Pension Fund

In the second half of 2023, the Steerco also began activities to elaborate and propose jointly managed portfolios for the Active Division of Fondazione and for the Fondation Collective Trianon (FCT/EFG) to achieve **economies of scale** and **greater benefits from portfolio diversification**. This activity will be completed by the end of 2024.

Activities started through the **Joint Investment Committee (JIC)** composed of representatives of the Foundation Board and of the FCT/EFG Pension Committee. Since september, with the support of PPCmetrics, the committee began its activities with the aim of defining a common **Strategic Asset Allocation (SAA)** for both structures, thus completing the harmonisation process that provides equal treatment for all employees.

The new *Strategic Asset Allocation* decided by the Foundation Board and the FCT/EFG Pension Committee in early 2024 implements the following guidelines:

- a **68% allocation to listed assets**, of which a significant proportion in passive indexed institutional funds with the addition of value-add active funds, building a multi-asset liquid portfolio at a reasonable cost with clear risk/return characteristics (to be realised in 2024).
- a **31% allocation to unlisted assets**: 3% Infrastructure, 2% Insurance Linked Securities, 2% Private Equity, 20% Unlisted Swiss real estate and 4% Unlisted Foreign real estate. The unlisted real estate investments have already been implemented at 31.12.2023 (see note 6.3.2).

The JIC will be supported by PPCmetrics, which will change its role from Investment Controller to **Independent External Asset Management Consultant** from 2024, while EFGAM will be responsible for implementing the new SAA as **Global Portfolio Manager**.

## 1.3. Retrospective and outlook of the financial markets

After a difficult 2022 for the financial markets, 2023 was characterised by a more favourable environment, although uncertainty about a possible economic recession led investors to *remain cautious*. At the beginning of march, fears were rekindled by the crisis in the US banking system, culminating in the collapse of Silicon Valley Bank, Signature Bank and First Republic Bank. In Switzerland, the collapse of Credit Suisse, acquired by UBS in march, fuelled fears of a more generalised crisis in the sector. However, the impact of these events was largely contained.

Inflation became less of a concern during the course of the year as it continued to decelerate around the world, and markets believe that interest rates in developed economies have now peaked. Some central banks in emerging market economies have already started to lower interest rates. The escalation of political tensions, with the intensification of the conflict between Israel and Hamas, as well as the ongoing war between Russia and Ukraine, was a central theme in the latter part of the year.

Although recessionary fears dominated the headlines of newspapers during the year, activity levels were resilient in 2023 thanks to better-than-expected consumer trends, supported by a very robust labour market.

The market consensus is that economic conditions will weaken in 2024, leading to a moderate deterioration in employment data and lower demand for services. However, the global economy should manage to avoid a deep recession. Inflation has peaked but is still far from central banks' targets. This will force central banks to keep interest rates on hold for at least the first few months of 2024, with the first cuts expected in the second half of the year.

2024 is an election year for more than half of the world's population. Given the climate of uncertainty, the resulting political turmoil could lead to increased market volatility.

See note 6.6 for a detailed comments on the performance of Fondazione for the year 2023.

## 1.4. ESG – Environment, Social and Governance

In the financial investment world, the use of the term “sustainability” usually refers to the so-called ESG (Environment, Social, Governance) criteria. Specifically, environmental, social as well as good governance criteria are taken into account in asset investment activities.

In line with its ethical and moral responsibility as the supreme body, the Board has dealt with the issue of the sustainability of its assets. This was done in particular through a *dedicated workshop* in april and subsequently through the preparation of the first *Sustainability Report 2023* for Fondazione, prepared by PPCmetrics in accordance with the ESG guidelines of the Swiss Association of Pension Institutions (ASIP).

The report shows that all portfolio managers directly designated by the Fondazione are signatories of the United Nations Principles for Responsible Investment (UN PRI) and are all members of Swiss Sustainable Finance (SSF). Most of the mandated portfolio managers are also signatories of the Net Zero Asset Managers initiative and other initiatives, organisations and associations that aim to contribute to sustainable economic development (at least 26 different entities in total).

Approximately two thirds of the Fondazione's total equity exposure is voted by the portfolio managers and engagement with the management of investee companies is pursued. In this context, it is worth noting that EFGAM was awarded first place by ShareAction for its voting approach based on sustainability and climate-related policies.

Currently, exclusion criteria based on standards or behaviours are applied to all the financial assets of Fondazione, whether these criteria are based on the exclusion list of the SVVK-ASIR (Swiss Society for Responsible Investment) or are derived from exclusion lists defined internally by the portfolio managers. In practice, ESG criteria are integrated into the financial analysis of all actively managed investment products in which the Fondazione invests. For example, EFGAM's actively managed funds incorporate 9 of the 17 United Nations sustainable development goals into their investment approach. In addition, for example, the two real estate products in which Fondazione invests directly have better GRESB (Global Real Estate Sustainability Benchmark) ratings than their benchmark index.

The Foundation Board has set itself the future objective of monitoring and informing its members regularly and transparently about the “sustainability” of its investment activities, for example by regularly updating the ASIP Sustainability Report.

## 2. Composition of the Foundation Board

At its annual meeting in may 2023, Delegate's Meeting carried out the important task of electing the four active members' representatives to the Foundation Board for the four-year term 6/2023 - 5/2027.

The new active members' representatives – Massimo Antonini, Andrea Russi, Antonella Spaggiari e Giordano Battaini - formally took office at the first Board meeting in june 2023. Following the departure of Andrea Russi on 31.10.2023, the first elected successor, Matteo Gianini, officially took office at the november Board meeting.

In december 2023, the EFG employer renewed the mandate of 3 of its 4 representatives Yves Bersier, Dimitrios Politis and Jacques-André Schneider for the next four years while Ioanna Archimandriti is already in charge until the end of 2025.

We would like to thank all the employees who made themselves available by putting forward their candidature, the outgoing members for their work and wish the elected members well.

### 3. Conclusion

All of the projects implemented over the past three years described have aimed the creation of an integrated pension solution for all of EFG's employees. The next envisaged and final step is the full merger of the EFG base pension plans, if possible at 1.1.2025.

We are confident that all members of the Board, together with the Administration and in cooperation with the EFG employer, will meet the challenges ahead with the utmost determination and professionalism.

We would like to express our sincere to all colleagues who have worked hard in the interest of all insured.



Yves Bersier  
President of the Board



Michele Casartelli  
Foundation Manager

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## Balance sheet

ASSETS	NOTES	CHF 31.12.2023	CHF 31.12.2022
<b>Investments</b>		<b>922'618'580</b>	<b>924'983'865</b>
Liquid funds and Derivatives	6.3	70'340'230	15'278'637
Other receivables	7.1	2'827'607	3'213'231
Bonds	6.3	592'829'953	277'462'659
Equities	6.3	98'150'064	158'547'545
Alternative investments	6.3	3'366'600	175'480'684
Real estate funds	6.3	155'104'126	295'001'109
<b>Total assets</b>		<b>922'618'580</b>	<b>924'983'865</b>
<b>LIABILITIES</b>			
<b>Accounts payables</b>		<b>1'560'247</b>	<b>2'501'352</b>
Vested benefits and pensions		1'358'075	2'404'705
Other accounts payables		202'172	96'647
<b>Accrued liabilities and deferred income</b>	<b>7.2</b>	<b>473'663</b>	<b>500'484</b>
<b>Employer Contribution Reserve (ECR) without waiver of use</b>	<b>5.9 / 9.2</b>	<b>50'993'339</b>	<b>49'131'264</b>
<b>Pension liabilities and actuarial provisions</b>		<b>852'785'908</b>	<b>886'462'510</b>
Active employees' liabilities	5.2	206'348'252	201'553'639
Pensioners' liabilities	5.4	632'912'579	628'354'920
Actuarial provisions	5.5	13'525'077	56'553'951
<b>Fluctuation reserve</b>	<b>6.2</b>	<b>19'707'112</b>	<b>-</b>
<b>Dotation capital and free funds / underfunding</b>		<b>-2'901'689</b>	<b>-13'611'745</b>
Dotation capital		10'000	10'000
<i>Free funds / Underfunding</i>			
Balance at the beginning of the period		-13'621'745	-10'000
Income surplus / (-) Expense surplus of the period	5.10	10'710'056	-13'611'745
Balance at the end of the period		-2'911'689	-13'621'745
<b>Total liabilities</b>		<b>922'618'580</b>	<b>924'983'865</b>

## Operating account

	NOTES	CHF 2023	CHF 2022
<b>Ordinary and other contributions, buy-ins</b>		<b>18'926'423</b>	<b>18'787'373</b>
<i>Employer contributions</i>			
Ordinary contributions		8'810'964	8'353'196
Employer payments for AHV bridging pension benefits		1'598'651	2'041'591
<i>Employee contributions</i>			
Ordinary contributions		4'756'564	4'795'464
One-time payments and purchase amounts	5.2	3'760'244	3'597'122
<b>Entry lump sum transfers</b>		<b>3'137'143</b>	<b>11'001'857</b>
Earnings from Vested benefit transfers	5.2	2'812'143	9'581'945
<i>Transfer of additional funds in case of collective exit</i>			
Collective transfer of Actuarial provisions		-	306'624
Collective transfer of Fluctuation reserve		-	998'027
Buy-ins and earnings from divorce	5.2	145'000	15'775
Reimbursements from divorce	5.2	-	76'323
Repayment of withdrawals for residential property	5.2	180'000	23'163
<b>Income from contributions and entry payments</b>		<b>22'063'566</b>	<b>29'789'230</b>
<b>Regulatory benefits</b>		<b>-50'715'168</b>	<b>-54'445'088</b>
Retirement pensions		-39'484'376	-40'583'715
Disability pensions		-772'243	-732'101
Spouse pensions		-6'155'543	-5'881'876
Orphan and children pensions		-417'650	-442'205
AHV bridging pensions		-1'626'801	-2'074'363
Retirement capital	5.2	-1'492'215	-4'730'828
Lump-sum death benefits		-766'340	-
<b>Termination benefits</b>		<b>-11'031'665</b>	<b>-9'292'671</b>
Departures of Vested benefits	5.2	-10'229'298	-8'566'438
Withdrawals for residential property and Divorce	5.2	-802'367	-726'233
<b>Expenses for benefits and withdrawals</b>		<b>-61'746'833</b>	<b>-63'737'759</b>

## Operating account (2<sup>nd</sup> part)

	NOTES	CHF 2023	CHF 2022
<b>Release / (-) creation of Pension liabilities, Actuarial provisions and ECR</b>		<b>33'671'063</b>	<b>23'826'143</b>
Variation in Active employees' liabilities		-4'759'252	-4'311'616
Variation in Pensioners' liabilities		-4'557'659	26'972'402
Variation in Actuarial provisions	5.5	43'028'874	1'238'100
Interest on vested benefits paid		-5'539	-300
Interest on retirement savings capital	5.2	-35'361	-72'443
<b>Income from insurance benefits</b>		<b>1'225'216</b>	<b>1'248'834</b>
Insurance benefits		1'225'216	1'190'541
Share of insurance surplus		-	58'293
<b>Insurance expenses</b>		<b>-928'364</b>	<b>-1'134'785</b>
Insurance premium	5.1	-872'652	-1'059'991
Contribution to guarantee fund		-55'712	-74'794
<b>Net income from insurance activities</b>	<b>5.10</b>	<b>-5'715'352</b>	<b>-10'008'337</b>
<b>Net income from investments</b>	<b>6.6</b>	<b>37'143'154</b>	<b>-99'731'934</b>
Income from Liquid funds		279'002	-301'136
Income from Other receivables		263	-
Income from Bonds		24'277'340	-53'535'038
Income from Equities		15'390'587	-54'778'546
Income from Alternative investments		5'392'090	-1'177'572
Income from Real estate funds		2'136'867	6'057'914
Income from Securities lending		3'874	-
Income from Derivatives	6.5	-3'292'313	5'575'189
Remuneration of ECR	5.9 / 9.2	-1'862'075	4'740'736
Asset management expenses	6.7	-5'182'481	-6'313'481
<b>Other income</b>		<b>3'327</b>	<b>4'342</b>
<b>General administration expenses</b>	<b>7.3</b>	<b>-1'013'961</b>	<b>-832'692</b>
Actuary activities		-121'264	-94'297
External audit		-40'746	-38'088
Supervisory Authority		-17'241	-16'464
Marketing and advertising	7.3	-5'060	-4'727
General administration	7.3	-829'650	-679'116
<b>Income / (-) Expense before release / creation of the Fluctuation reserve</b>	<b>5.10</b>	<b>30'417'168</b>	<b>-110'568'621</b>
<b>Release / (-) creation of Fluctuation reserve</b>	<b>6.2</b>	<b>-19'707'112</b>	<b>96'956'876</b>
<b>Income surplus / (-) Expense surplus of the period</b>		<b>10'710'056</b>	<b>-13'611'745</b>

## Balance sheet by Division

	CHF CPR <sup>1</sup> 31.12.2023	CHF CPR 31.12.2022	CHF Active Division <sup>2</sup> 31.12.2023	CHF Active Division 31.12.2022
<b>ASSETS</b>				
Investments	692'861'120	711'560'066	229'757'460	213'423'799
<b>Total assets</b>	<b>692'861'120</b>	<b>711'560'066</b>	<b>229'757'460</b>	<b>213'423'799</b>
<b>LIABILITIES</b>				
Accounts payables	-	42'389	1'560'247	2'458'963
Accrued liabilities and deferred income	264'319	277'490	209'344	222'994
ECR without waiver of use	50'993'339	49'131'264	-	-
Pension liabilities and actuarial provisions	621'896'350	664'614'623	230'889'558	221'847'887
Fluctuation reserve	19'707'112	-	-	-
Dotation capital and free funds / underfunding	-	-2'505'700	-2'901'689	-11'106'045
<b>Total liabilities</b>	<b>692'861'120</b>	<b>711'560'066</b>	<b>229'757'460</b>	<b>213'423'799</b>

<sup>1</sup> Internal Pension Fund, which includes from 1.1.2021 all pensioners at 31.12.2020 of Fondazione di Previdenza EFG SA (Fondazione) and of Fondo Complementare di Previdenza EFG SA (Fondo - Liquidated as at 31.5.2022 and deleted from the Commercial Register on 27.12.2023). It is a closed set of population.

<sup>2</sup> The Active Division includes all pensioners from 2.1.2021 and the active employees.

## Operating account by Division

	CHF CPR 2023	CHF CPR 2022	CHF Active Division 2023	CHF Active Division 2022
Ordinary and other contributions, buy-ins	584'175	1'233'596	18'342'248	17'553'777
Entry lump sum transfers	-	-	3'137'143	11'001'857
<b>Income from contributions and entry payments</b>	<b>584'175</b>	<b>1'233'596</b>	<b>21'479'391</b>	<b>28'555'634</b>
Regulatory benefits	-46'685'217	-48'379'995	-4'029'951	-6'065'093
Termination benefits	-	-	-11'031'665	-9'292'671
<b>Expenses for benefits and withdrawals</b>	<b>-46'685'217</b>	<b>-48'379'995</b>	<b>-15'061'616</b>	<b>-15'357'764</b>
Release / (-) creation of Pension liabilities, Actuarial provisions and ECR	42'718'274	36'022'045	-9'047'211	-12'195'902
Income from insurance benefits	1'008'788	1'041'392	216'428	207'442
Insurance expenses	-9'337	-24'190	-919'027	-1'110'595
<b>Net income from insurance activities</b>	<b>-2'383'317</b>	<b>-10'107'152</b>	<b>-3'332'035</b>	<b>98'815</b>
Net income from investments	25'261'066	-62'368'816	11'882'088	-37'363'118
Other income	1'726	1'741	1'601	2'601
General administration expenses	-666'663	-521'172	-347'298	-311'520
<b>Income / (-) Expense before release / creation of the Fluctuation reserve</b>	<b>22'212'812</b>	<b>-72'995'399</b>	<b>8'204'356</b>	<b>-37'573'222</b>
Release / (-) creation of Fluctuation reserve	-19'707'112	70'489'699	-	26'467'177
<b>Income surplus / (-) Expense surplus of the period</b>	<b>2'505'700</b>	<b>-2'505'700</b>	<b>8'204'356</b>	<b>-11'106'045</b>

# Notes to the 2023 Financial Statements

## 1. General information and organization

### 1.1. Legal form and objective

Fondazione di Previdenza EFG SA (hereinafter the Fondazione) 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) and it manages a Pension Fund.

The Fondazione was founded on 4 november 1944 and in 2017 has changed its name from Fondazione di Previdenza BSI SA to Fondazione di Previdenza EFG SA.

The Fondazione's objective is to provide occupational retirement schemes within the scope of LPP and the ordinances regarding its implementation, against the economic consequences of old age, death and disability in favour of the employees of the founder already insured with the Fondazione by 30.6.2017 and all persons employed from 1.7.2017 in Ticino by EFG Bank AG (EFG) and by the entities affiliated with the Fondazione, insofar as they have entered into an affiliation agreement, as well as the employees of the Fondazione, their relatives and survivors.

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

All EFG employees pre-existing at the acquisition of BSI, as well as all actives hired since 1.7.2017 by EFG or other Group companies in German and French-speaking Switzerland, are insured by Fondation Collective Trianon (FCT).

Starting from 1.1.2015 benefits are issued according to the *defined contribution plan*. In any case, the Fondazione complies with the minimum requirement set by applicable laws (LPP), while part of the non-compulsory occupational pension provision is covered by the EFG's 1e pension plan implemented with Fondation Collective Trianon 1e (FCT 1e). For more details on the structure of the insurance plan, please refer to note 3.

With contract signed on 4.1.2021 between Fondazione and EFG, Fondazione disposes as of 1.1.2021 of an Internal Pensioners Fund (CPR). The CPR includes exclusively the pensioners on 31.12.2020 of Fondazione, of Fondo Complementare di Previdenza EFG SA (hereinafter the Fondo. The Pension fund was deleted from the Commercial Register on 27.12.2023), as well as pensioners subject to reinsurance as of 31.12.2020. The CPR assumes all obligations towards the pensioners defined above, including the expected survivors' benefits provided for in the Pension fund regulation at the time of death. Recipients of retirement and disability pensions after 2 january 2021 are not included in the CPR.

### 1.2. LPP and guarantee fund registrations

In compliance with article 48 LPP the Fondazione is included in the Register of occupational benefits of the Canton Ticino under number TI-0039 and it pays contributions to the LPP guarantee fund.

The Fondazione is located at the offices of the Lugano branch of the founder EFG, at via Magatti 2, Lugano.

### 1.3. Information about Statute and Regulations

Document	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	13.11.2023	Approved by the Foundation Board on 13.11.2023
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	1.9.2023	Approved by the Foundation Board on 13.11.2023
Regulation on partial and full liquidation and merger	1.1.2018	Approved by the Supervisory Authority on 30.3.2018
Regulation of actuarial provisions	31.12.2023	Approved by the Foundation Board on 1.2.2024
Investment regulation	13.11.2023	Approved by the Foundation Board on 14.12.2023

The Chapter E of the Pension fund regulation describes how the CPR Division works.

All individuals in charge of the management or administration of the Fondazione 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), in the Organization regulation, as well as in the ethical standards relating for the members of the Swiss Association of Pension Institutions (ASIP Charter and relevant guidelines). The Foundation Board (hereinafter Board) has taken all required measures to ensure compliance with such provisions.

## 1.4. Governing bodies and signing authorities

### 1.4.1. Foundation Board

Name	Role	Mandate Duration	Representative of	Signing authorities
Bersier Yves	Chairman	1/2024-12/2027	Employer	joint signature of two authorized signatories
Antonini Massimo	Vice Chairman	6/2023-5/2027	Employees	joint signature of two authorized signatories
Politis Dimitrios	Member	1/2024-12/2027	Employer	joint signature of two authorized signatories (with Chairman, Vice Chairman or Manager)
Archimandriti Ioanna	Member	1/2022-12/2025	Employer	joint signature of two authorized signatories (with Chairman, Vice Chairman or Manager)
Schneider Jacques-André	Member	1/2024-12/2027	Employer	joint signature of two authorized signatories (with Chairman, Vice Chairman or Manager)
Gianini Matteo	Member	11/2023-5/2027	Employees	joint signature of two authorized signatories (with Chairman, Vice Chairman or Manager)
Spaggiari Antonella	Member	6/2023-5/2027	Employees	joint signature of two authorized signatories (with Chairman, Vice Chairman or Manager)
Battaini Giordano	Member / Secretary	6/2023-5/2027	Employees	joint signature of two authorized signatories (with Chairman, Vice Chairman or Manager)

#### Modifications in the composition of the Foundation Board:

The Delegate's Meeting elected the employees' representatives at its meeting held on 15.5.2023. The new members were elected for the four-year term 2023/2027. During the constitutive meeting of 19.6.2023, the new Board appointed Bersier Yves as Chairman and Antonini Massimo as Vice Chairman, confirming Battaini Giordano as Secretary. In replacement of the resigning member Russi Andrea, on 31.10.2023 the Board confirmed Gianini Matteo as the first elected substitute of employees' representative.

On 5.12.2023, EFG reappointed Bersier Yves, Politis Dimitrios and Schneider Jacques-André as employer representatives for the next four-year term.

In 2022 and 2023, **no amounts** were paid by Fondazione to the Board members (reporting obligation pursuant to Art. 84b CC).

### 1.4.2. Committees of Foundation Board

#### Remuneration and Appointment Committee (CRN)

The CRN is responsible for recruitment, remuneration and proposing candidates for appointment within the Administration. The CRN is composed by the Chairman and the Vice Chairman of the Fondazione. The Foundation Manager participates without any voting rights.

### Investment Committee (IC)

The IC is in charge of analysing and verifying the investments in securities of the Fondazione; it is composed by the following members:

Name	Role	Representative of
Schneider Jacques-André	Chairman	Employer
Bersier Yves	Member	Employer
Battaini Giordano	Member	Employees
Gianini Matteo	Member	Employees
Casartelli Michele	Secretary without voting rights	Foundation Manager

The committee was set at the Board's meeting on 19.6.2023. On 31.10.2023, the Board appointed the substitute Gianini Matteo to replace the resigning member Russi Andrea.

#### 1.4.3. Delegates' Meeting

The Delegates' Meeting operates as an advisory and general control body of the Fondazione. It consists of:

- **For active employees:** Andjelic Stjepo, Balmelli Roberto, Battaini Giordano, Del Fitto Stefano, Gianini Matteo, Lopez Michelangelo, Mazza Andrea, Palmisano Antonio, Ponti Christian, Roncoroni Moira, Tironi Francesco, Tomasone Michele.
- **For pension beneficiaries:** Ballinari Francesca, Beretti Manuela, Boissard Gilbert, Castelli Giuliano, Clerc Jean-Claude, Corselli Giulio, Etter Walter, Fioroni Giampiero, Fumasoli Fabio, Gajo Ermanno, Holtmann Mauro, Morelli Claudio, Panozzo Marco, Poretti Giovanni, Prada Giancarlo, Rusca Cornelio, Schilling Peter, Svanascini Mariangela, Vaghi Antonio, Volper Daniel.

#### 1.4.4. Management

Starting from 1.1.2012, an administrative department independent by the employer has been created within the Fondazione 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. On 31.12.2023 the administrative department was composed by 5 permanent employees (equivalent to 3.7 working units).

## 1.5. Experts, auditors, advisors, Supervisory Authority

		Note
Accredited pension actuary	Towers Watson AG (TW), Zurich: Michael Melles	
Auditor	PricewaterhouseCoopers SA (PwC), Lugano: Roberto Caccia	
Supervisory Authority	Vigilanza sulle fondazioni e LPP della Svizzera Orientale, Muralto: Ivar Cadloni	
Custodian banks	EFG Bank SA, Lugano branch	For the deposit of Operative cash and Investments detailed in note 6, with the exception of investments in Real estate funds.
	Zürcher Kantonalbank, Zurich	For the deposit of the investment in Swiss real estate funds of the "Swisscanto Anlagestiftung", Zurich (SAST see note 6).
	UBS Switzerland AG, Lugano	For the deposit of the investment in Foreign real estate funds (UBS funds see note 6).
Asset managers	For Active Division: EFG Bank SA, Lugano branch	The bank has delegated the Fondazione's Portfolio Manager activities to its subsidiary with 100% participation EFG Asset Management (Switzerland) SA (EFGAM), Geneva. EFGAM is a financial services provider authorized by FINMA underlying in Switzerland to the supervision of the federal Authority of the financial markets. See details in note 6.4.
	For CPR: Lombard Odier Asset Management (Switzerland) SA (LOIM), Petit-Lancy	In July 2023, the Foundation Board decided to implement a Cash Flow Matching (CFM) strategy in the CPR between the bond portfolio's cash flows and expected pension payments. Details can be found in notes 6.3 and 6.4.
Investment Controller	PPCMetrics SA, Zurigo: Alfredo Fusetti	

## 1.6. Affiliated employers

The amount of affiliated companies has developed as follows:

Development	EFG Bank AG	Fondazione di Previdenza EFG SA	Finnat Gestioni SA	EFG Asset Management (CH) SA	Art 47a <sup>4</sup>	Total 2023	Total 2022
Situation at 1.1.	562	5	1	27	-	595	622
+ / - Transfers	-2	-	-	-	2	-	-
+ Entries	36	-	-	1	-	37	32
- Departures <sup>1</sup> / Deaths	-36	-	-	-3	-	-39	-35
- Retirements <sup>2</sup> / Disability	-5	-	-	-	-	-5	-24
<b>Situation at 31.12.<sup>3</sup></b>	<b>555</b>	<b>5</b>	<b>1</b>	<b>25</b>	<b>2</b>	<b>588</b>	<b>595</b>

Remarks:

<sup>1</sup> It includes resignations at 31.12 of the current year.

<sup>2</sup> 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.

<sup>3</sup> Participants with part-time contracts are considered as units.

<sup>4</sup> The category includes both those who have decided to self-finance savings and risk contributions and those who pay only risk contributions.



Under “Transfers” in the “Art. 47a” column, there are 2 insured persons aged 58 and over, whose employment relationship is terminated due to a decision by their employer, who chose to exercise in 2023 their right of continuation of their pension insurance maintaining their membership in Fondazione in accordance with Art. 47a LPP.

In 2023, the number of active employees decreased in net terms by only -7 (2022: -27), due to a significant drop in retirements for the year (-5) compared to the previous year (-24).

In 2023, there was the death of an active employee and a new case of partial disability (with no change in head count as the employee is still partially active).

## 2. Active employees and pensioners

### 2.1. Active employees

Structure by gender	31.12.2023	31.12.2022
Men	372	376
Women	216	219
<b>Total</b>	<b>588</b>	<b>595</b>

In 2023, the ratio of men to women remained nearly unchanged from the previous year, confirming the preponderance of men (63.3%) over women (36.7%).

Structure by age ranges	31.12.2023	31.12.2022
Less than 20 years	1	1
20 - 34 years	62	65
35 - 44 years	131	138
45 - 54 years	222	235
From 55 years	172	156
<b>Total</b>	<b>588</b>	<b>595</b>
Average age	48.4	48.0

The reductions observed in the three brackets covering the 20-54 age spectrum (-23) were almost completely offset by the increase in active insured in the last bracket (+16). The “45-54 years” age group, despite having recorded a considerable number of exits in 2023 (-13), remains the most populous representing 37.8% of the total number of active members (2022: 39.5%).

A higher number of active employees in the last two brackets is also reconfirmed for 2023. The figure shows a lack of generational change within employers.

Please refer to note 1.6 for the development of the number of active employees over the year.

## 2.2. Pensioners

	Retirement pensions beneficiaries <sup>1</sup>	Disability pensions beneficiaries <sup>2</sup>	Spouse pensions beneficiaries	Children pensions beneficiaries <sup>3</sup>	Total 2023	Total 2022
<b>CPR</b>						
Situation at 1.1.	751	27	166	43	987	1'011
+ Entries <sup>4</sup>	3	-	10	2	15	14
+ / - Conversions	3	-3	-	-	-	-
- Deaths / Terminations	-19	-	-9	-7	-35	-38
<b>CPR Situation at 31.12.</b>	<b>738</b>	<b>24</b>	<b>167</b>	<b>38</b>	<b>967</b>	<b>987</b>
<b>Active Division</b>						
Situation at 1.1.	26	2	-	7	35	13
+ Entries	2	1	-	-	3	22
+ / - Conversions	-	-	-	-	-	-
- Deaths / Terminations	-	-	-	-2	-2	-
<b>Active Division Situation at 31.12.</b>	<b>28</b>	<b>3</b>	<b>-</b>	<b>5</b>	<b>36</b>	<b>35</b>
<b>Total Fondazione at 31.12.</b>	<b>766</b>	<b>27</b>	<b>167</b>	<b>43</b>	<b>1'003</b>	<b>1'022</b>

### Remarks:

- <sup>1</sup> Are included early and ordinary retirements, and the beneficiaries of pensions for divorce as their size does not justify an allocation in a separate category that would undermine the protection of privacy (para. 6.15 Swiss GAAP FER 26).
- <sup>2</sup> Upon reaching ordinary retiring age, the disability benefits are converted into a retirement benefits. Partially disabled persons are counted as a unit. In case of partially active employees, the participant is considered as both active employee and disabled beneficiary.
- <sup>3</sup> It includes the children of beneficiaries (of retirement and disability benefits) and orphans.
- <sup>4</sup> No new beneficiaries of retirement or disability pensions are admitted to CPR division, only widows and orphans of population transferred on 1.1.2021 are allowed. Of the 158 pensioners transferred from Fondo, only 1 receive a pension solely for the Ex Fondo side.

The net membership of the CPR Division decreased by -20 units compared to the previous year (2021/2022 change: -24 units). The net decrease is mainly attributable to the deaths of the year.

The 967 pensioners in CPR Division include 25 people for whom the Fondazione receives reimbursement of pensions paid by the Helvetia insurance company (2022: 26), with which the Pension fund has reinsured the risk of disability and death (see note 5.1). From 1.1.2021, the CPR also took over the repayment of the pensions paid to the Fondo up to 31.12.2020 (in 2023 are 3).

In 2023 there were 5 retirements (all early retirements). Of these, 2 resulted in an increase in the number of retirement pensions beneficiaries in Active Division, while the remaining 3 opted to withdraw the entire capital. In the Active Division, there are 4 disability pensioners reinsured by Helvetia.

Structure by age ranges	Retirement pensions beneficiaries	Disability pensions beneficiaries	Spouse pensions beneficiaries	Children pensions beneficiaries	Total 2023	Total 2022
Less than 18 years	-	-	-	12	12	13
18-24 years	-	-	-	25	25	33
25-54 years	-	7	1	6	14	12
55-64 years	33	20	12	-	65	82
65-74 years	330	-	35	-	365	384
75-84 years	308	-	71	-	379	363
85-94 years	90	-	44	-	134	126
Above 94 years	5	-	4	-	9	9
<b>Total Fondazione</b>	<b>766</b>	<b>27</b>	<b>167</b>	<b>43</b>	<b>1'003</b>	<b>1'022</b>
Average age					71.7	71.7

In 2023, the number of beneficiaries aged over 75 represents 52% of the total population (2022: 48.7%).

### 2.3. Ratio between active employees and pensioners

As at 31.12.2023, the ratio between the number of active employees and the total number of pensioners of the Fondazione stands at 0.58 as in the previous year.

To limit the economic-financial impacts of the negative trend in the demographic ratio, from 1.1.2021 the Internal Pensioners' Fund (CPR) was implemented, a division with separate accounts, balance sheet, technical interest, coverage ratio and asset management, where the "historical" beneficiaries of the Fondazione and the Fondo as at 31.12.2020 were included.

## 3. Structure of the pension plans

### 3.1. Explanation of the pension plans

From 1.1.2022 *the harmonised EFG pension plan* is applied to all EFG employees in Switzerland.

The main features of the harmonised pension plan are:

- Employees with a gross annual base salary of up to CHF 145'000 are insured under the harmonised **Base** pension plan, either by Fondazione (formerly BSI and hired in Ticino since 1.7.2017) or by FCT (formerly EFG or hired in the German and French speaking parts of Switzerland since 1.7.2017).
- All employees with a gross annual base salary of CHF 145'000 or more are insured up to CHF 140'000 in the Base plan of Fondazione or FCT and for the remaining, with a minimum threshold of entry of CHF 5'000 into 1e EFG's pension plan **FCT 1e**. The FCT 1e plan is managed as an internal autonomous EFG pension fund, governed by representatives of the EFG employer and employees. Insured persons, with at least 55 years of age as of 31.12.2021, could irrevocably decide to insure all gross annual salary of CHF 145'000 in Fondazione from 1.1.2022.

In order to simplify the reading, the Pension fund regulation clearly divide the benefits of active employees and pensioners (retirement benefits, departures of vested benefits and withdrawals for residential property) from reinsured benefits (survivors' benefits of active employees and disability benefits).

Below an overview of the main benefits of the harmonised Base pension plan of Fondazione.

## BENEFITS

Pension fund regulation valid from 1.9.2023

### RETIREMENT AGE

Ordinary retirement age	64 years for women, 65 years for men
Minimum retirement age	58 years for women and men
Maximum retirement age	70 years for women and men

**Sub plan of retirement, exit and residential property benefits (Chapter B)**

**Sub plan of survivor' benefits of active employees and disability benefits (Chapter C)**

### DISABILITY BENEFITS

Disability pension	60% of the insured salary, up to the ordinary retirement age, present at the time of disability (for persons also insured in FCT 1e plan: 30% of the insured salary in Fondazione and increase of compensation benefit in FCT 1e)
Children's disability pension	10% of the insured salary

### RETIREMENT BENEFITS

Type of benefit	Pension or capital (up to 100% of the Retirement saving capital)	
Retirement pension	Retirement saving capital multiplied by conversion rate. In 2023 the maximum retirement pension is limited to CHF 102'900	
Conversion rates in %	<b>Women</b>	<b>Men</b>
	58 years: 4.50	4.40
	59 years: 4.60	4.50
	60 years: 4.71	4.60
	61 years: 4.82	4.71
	62 years: 4.94	4.82
	63 years: 5.07	4.94
	<b>64 years: 5.20</b>	5.07
	<b>65 years: 5.34</b>	<b>5.20</b>
	66 years: 5.50	5.34
	67 years: 5.66	5.50
	68 years: 5.84	5.66
	69 years: 6.03	5.84
	70 years: 6.24	6.03
Children's retirement benefits	Minimum required by LPP	

### SURVIVORS BENEFITS

Spouse / cohabitant's pension	<i>Pensioner:</i> 50% of the retirement pension	<i>Active employee:</i> 50% of the insured salary (for persons also insured in FCT 1e plan: 20% of the insured salary in Fondazione and increase of compensation benefit in FCT 1e)  <i>Disabled persons:</i> 50% of the relevant income for the calculation of the current disability pension
Orphan's pension	<i>Pensioner:</i> Minimum required by LPP	<i>Active employee:</i> 10% of the insured salary  <i>Disabled persons:</i> 10% of the relevant income for the calculation of the current disability pension
Lump-sum death benefit	Purchases in maximum retirement benefits, as well as capital savings in the supplementary account "Early retirement redemption"  + the amount of Retirement saving capital (after deducting the purchases and the supplementary account above mentioned) at the time of the active employee's death and net of the cash value of future benefits for survivors	

### VESTED BENEFITS

Vested benefits	Vested benefits are defined in compliance with paragraph VIII of the Chapter B of the Pension fund regulation	The passive part of a disabled person's retirement savings cannot be paid out as a termination benefit, either in cash or as a pledge for home ownership (art. 126)
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## 3.2. Financing

Following an overview of the financing forms of the “Base” plan for 2023. The Fondazione assumes all management costs.

### FINANCING

#### Pension fund regulation valid from 1.9.2023

#### Insured salary

The insured salary is equal to the determining annual salary, which is equal to the fixed basic annual salary calculated according to the contractual agreement with the employer, without any variable components. No coordination is deducted.

The maximum insured salary in the Fondazione is:

- CHF 140'000, if the annual base salary is CHF 145'000 or more,
- CHF 144'999, if the annual base salary is less than CHF 145'000,
- CHF 500'000 for people born in 1966 or earlier who chose not to join the FCT 1e plan on 31.12.2021 (closed population).

#### Total contributions

in percentage of the insured salary

#### Standard Contribution Plan

Age	Employee	Employer	Total
18-19	0.666%	1.050%	1.716%
20-34	4.416%	8.550%	12.966%
35-44	5.416%	11.150%	16.566%
45-54	6.416%	14.250%	20.666%
55-64/65	7.416%	16.450%	23.866%

#### Plus Contribution Plan (+2%)

Age	Employee	Employer	Total
18-19	0.666%	1.050%	1.716%
20-34	6.416%	8.550%	14.966%
35-44	7.416%	11.150%	18.566%
45-54	8.416%	14.250%	22.666%
55-64/65	9.416%	16.450%	25.866%

#### Top Contribution Plan (+4%)

Age	Employee	Employer	Total
18-19	0.666%	1.050%	1.716%
20-34	8.416%	8.550%	16.966%
35-44	9.416%	11.150%	20.566%
45-54	10.416%	14.250%	24.666%
55-64/65	11.416%	16.450%	27.866%

#### Risk contributions

in percentage of the insured salary

Employee: 0.666%  
Employer: 1.050%

#### Retirement credits

Employee's and employer's savings contributions in percentage of the insured salary are accrued on annual basis as Vested benefits

#### Standard Contribution Plan

Age	Employee	Employer	Total
18-19	0.000%	0.000%	0.000%
20-34	3.750%	7.500%	11.250%
35-44	4.750%	10.100%	14.850%
45-54	5.750%	13.200%	18.950%
55-64/65	6.750%	15.400%	22.150%

#### Plus Contribution Plan (+2%)

Age	Employee	Employer	Total
18-19	0.000%	0.000%	0.000%
20-34	5.750%	7.500%	13.250%
35-44	6.750%	10.100%	16.850%
45-54	7.750%	13.200%	20.950%
55-64/65	8.750%	15.400%	24.150%

#### Top Contribution Plan (+4%)

Age	Employee	Employer	Total
18-19	0.000%	0.000%	0.000%
20-34	7.750%	7.500%	15.250%
35-44	8.750%	10.100%	18.850%
45-54	9.750%	13.200%	22.950%
55-64/65	10.750%	15.400%	26.150%

### 3.3. Further information about pension plan activities

To rationalize the consolidated reinsurance pension costs of EFG, however, these two changes were introduced that are **neutral for the insured**. For people insured in both the Fondazione and the separate FCT 1e pension plan, from 1.1.2023:

- In the event of death, **the spouse's pension in the Fondazione decreases from 50% to 20% of the insured salary** of the deceased active person (of the relevant income for pension computation in the case of death of disabled persons), with the reduction offset by a **corresponding increase** in the benefit in the **FCT 1e pension plan**.
- In case of disability, **the temporary disability pension in the Fondazione drops from 60% to 30% of the insured salary**, with offsetting of the reduction by a **corresponding increase** in the benefit in the **FCT 1e pension plan**.

To align with market trends, EFG then increased the % of employer savings contributions of the following age ranges starting from 1.4.2023:

- "35-44" from 9.5% to 10.1%,
- "45-54" from 11.5% to 13.2%,
- "55-64/65" from 13.5% to 15.4%.

Together these changes led to renegotiation of the reinsurance contract with Helvetia (see note 5.1) with subsequent reduction of the employer's risk contribution, which is still higher than the employee's risk contribution, from 1.334% in 2022 to 1.050% from 1.1.2023.

The AVS reform in force as of 1.1.2024 will lead to an alignment of the retirement age with the occupational pension plans (LPP). The Board has decided for the time being **not to align** the ordinary retirement age for women from 64 to 65 in the Pension fund regulation.

On 1.9.2023, the new Federal Data Protection Act (nFADP) and the corresponding Decree came into force. The nFADP applies to private individuals and federal bodies. Fondazione is considered a federal body and is therefore only authorised to process personal data insofar as there is a legal basis for doing so (Art. 85a LPP). In accordance with this new law, the Pension fund regulation have therefore been updated with effect from 1.9.2023.

## 4. Measurement and accounting standards, continuity

### 4.1. Statement of compliance with Swiss GAAP FER 26

Pursuant to Art. 47 of OPP2, the Fondazione's accounts are submitted in compliance with the recommendations on the presentation of accounts Swiss GAAP FER 26 (1.1.2014).

### 4.2. Accounting and valuation policies

#### 4.2.1. Bookkeeping and accounting policies

The Financial Statements close on 31 december.

Financial accounting is managed internally by the Administration, management of a part of the assets is entrusted to EFG and subcontracted to EFGAM for the Active Division and to LOIM for the CPR (see note 1.5).

The CPR established as of 1.1.2021 has separate accounts, assets, balance sheet, technical interest rate and coverage ratio in the Annual report, therefore, after the Balance sheet and Operating account of the Fondazione as a whole, are presented the Balance sheet and Operating account by Division.

The asset, administrative, and technical-accounting management of the two divisions is carried out on fully separate accounts, with **direct allocation** of costs and revenues, except for a residual breakdown (based on the heads of active employees and pensioners) of General administration expenses common to the two divisions (such as the costs of the Auditors, the Supervisory Authority and the Fondazione's employees).

#### 4.2.2. Valuation policies

Securities:	Stock exchange listing or, for unquoted instruments, net asset value (NAV) available at the end of the period
Current Accounts:	nominal value adjusted to end of the period exchange rate
Derivatives:	end of the period replacement value
Liabilities:	nominal value

In accordance with Art. 26 of Swiss GAAP FER 41, interest accrued on fixed-income investments is included in the Balance sheet under Investments (not present on 31.12.2022).

#### 4.3. Changes in accounting, valuation and presentation policies

No changes on the accounting, valuation and presentation principles were made during 2023.

### 5. Actuarial risks, risk coverage and coverage ratio

#### 5.1. Type of risk coverage and re-insurance

The Fondazione is a semi-independent pension fund.

The *longevity risk* and the risk connected to the *investment of assets* are fully borne by the Fondazione. The *risks of disability* and *death* before the retirement age are covered by a congruent collective reinsurance agreement with the insurance company Helvetia, which is in force since 1.1.2009.

Beneficiaries of disability pensions starting before 1.1.2009 are borne by the Fondazione.

Following the joint renegotiation of the reinsurance contracts (see note 3.3), all pension funds (Fondazione, FCT and FCT 1e) will be reinsured with Helvetia, with contracts valid until 31.12.2026 with the option of early termination communicated to the counterparty by June 30 of each year.

In 2023 the net premium risk rate for Fondazione is equal to 1.346% of the total insured salaries (2022: 1.608%). 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

As at 31.12.2023, the Active employees' liabilities are composed as follows and are entirely in the Active Division:

	CHF/000 31.12.2023	CHF/000 31.12.2022
Vested benefits	205'242	200'496
Supplementary account "Early retirement redemption"	1'106	1'058
<b>Total of Active employee's liabilities</b>	<b>206'348</b>	<b>201'554</b>
Number of active employees at 31.12.	588	595

As explained in note 3.1, EFG's harmonised pension plan is applied to all members of the Fondazione as of 1.1.2022.

In addition to the purchase of maximum benefits, at any moment an active employee can compensate in full or in part with personal contributions the reduction of the benefits generated by early retirement. The accumulation of these contributions is accrued in the supplementary account "Early retirement redemption".

The interest rates on "Vested benefits" and "Early retirement redemption" supplementary account are set by the Board at the end of each year, considering the actual annual performance of the Fondazione and its financial situation. See note 5.5.2 for what has been decided for 2023.

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

	CHF/000 31.12.2023	CHF/000 31.12.2022
Liabilities at 1.1	201'554	197'170
Transfer contract from Fondo to Active Division art. 98 LFus effective 1.1.2022	-	8'140
Employer and employees savings contributions	12'450	11'831
Earnings from Vested benefit transfers	2'812	1'442
One-time payments and purchase amounts	3'760	3'597
Buy-ins and earnings from divorce	145	16
Repayment of withdrawals for residential property and Reimbursements from divorce	180	100
Withdrawals for residential property and Divorce	-802	-726
Departures of Vested benefits	-10'229	-8'566
Retirement capital	-1'492	-4'731
Lump-sum death benefits	-767	-
Transfers to Pensioners' liabilities	-1'298	-6'791
Interest on retirement savings capital	35	72
<b>Liabilities at 31.12.</b>	<b>206'348</b>	<b>201'554</b>
Number of active employees at 31.12.	588	595

Despite the downward trend in the number of active employees over the past five years (resulting in the payment of “Vested benefits” or “Retirement capital” or reclassification of retirement savings in “Pensioners’ liabilities” for the conversion of capital into a pension, in 2023 totalling CHF -13.786 mln against CHF -20.088 mln in 2022), “Active employees’ liabilities” recorded a **net increase in the year** of CHF +4.794 mln, standing at CHF 206.348 mln. The outflow of vested benefits was more than offset by the “Earnings from Vested benefit transfers” of CHF +1.370 mln and the higher savings contributions due to the changes described in note 3.3.

The item “Interest on retirement savings capital” includes in both 2022 and 2023 the higher interest on capital pursuant to Art. 17 of the Vested Benefits Law (LFLP).

### 5.3. Total Retirement saving capital in accordance with LPP

	CHF/000 31.12.2023	CHF/000 31.12.2022
<b>Retirement saving capital in accordance with LPP (Shadow account)</b>	<b>76'567</b>	<b>75'615</b>
LPP minimum interest rate defined by the Federal Council	1.00%	1.00%

The Federal Council established a LPP remuneration rate of 1.25% starting from 1.1.2024.



## 5.4. Development of Pensioners' liabilities

Following the establishment of the CPR on 1.1.2021 (including the transfer into it of the Fondo's pensioners on 31.12.2020), the "Pensioners' liabilities" are composed as follows:

	CPR	Active Division	CHF/000 31.12.2023	CHF/000 31.12.2022
Status at 1.1.	614'850	13'505	628'355	655'327
Updating following changes in Pension Fund Regulation and population evolution at 31.12.	-31'689	1'076	-30'613	-26'972
Updating following changes in technical interest rate	35'171	-	35'171	-
<b>Total of Pensioners' liabilities at 31.12.</b>	<b>618'332</b>	<b>14'581</b>	<b>632'913</b>	<b>628'355</b>
Number of pensioners at 31.12.	967	36	1'003	1'022

The item "Updating following changes in technical interest rate" of the CPR Division includes the cost of reducing the technical interest rate from 1.75% to 1.132% in 2023 (see note 5.7 for details). In the Operating account, the impact is neutralised by the use of the Provision for reduction of technical interest rate for pensioners created in previous years (note 5.5.3).

In 2022 and 2023, there were no changes in the Pension fund regulation affecting the Pensioners' liabilities; therefore, the item "Updating following changes in Pension fund regulation and population evolution at 31.12" includes in the two-year period, on the same technical bases as in the previous year, the impact of the annual changes in the population. In 2023 this item in the *CPR Division* include:

- The pensions, net of insurance benefits, paid in the period for CHF -45.128 mln (2022: CHF -46.105 mln).
- The "implicit" interests at the technical interest rate of last year on the initial capital for estimated CHF +10.821 mln (2022: CHF +11.359 mln).
- Other evolutions of the year in the population for CHF +2.618 mln (for instance redemptions for deaths, terminations of the pensions for children, conversions of the retirement pensions into spouse pensions, updating of longevity. 2022: CHF +0.537 mln).

The item "Updating following changes in Pension Fund Regulation and population evolution as of 31.12" for *Active Division* includes capital transfers from the "Active employees' liabilities" for CHF +1.298 mln (for pensioners in the year who opted for a retirement pension) and pensions paid during the year net of insurance reimbursements.

## 5.5. Composition, development and explanation of the Actuarial provisions

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 of the following paragraphs:

- the item "Transfer contract from Fondo to Active Division art. 98 LFus effective 1.1.2022" shows in 2022 the reserves collectively transferred to Fondazione for members of Fondo who chose the options of **irrevocable opt-out** from the EFG FCT 1e plan or **grandfathering** (transaction detailed in note 9.8 of the Annual Report of the year 2022).

### 5.5.1. Conversion rate provision (Active employees' and Disabled persons)

This provision applies to active employees and temporarily disabled persons under defined contributions and is made until technical losses are generated in the event of retirement.

At the time of the transition from active employee to pensioner, the technical losses are generated by the difference between the Pensioners' liabilities and his Active employees' liabilities. This gap is caused by the mismatch between the Pensioners' liabilities calculated using the *regulatory conversion rate* and those calculated with the rate compliant with the actuarial bases used (see note 5.7).

Since 1.1.2022 regulatory conversion rates are based on the following technical bases:

- technical interest rate: 2.25%,
- mortality tables: LPP 2020 generational of the year 2022.

As the regulatory conversion rates are higher than the actuarially neutral ones, from 2021 this provision was adjusted. 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, including the probable share of those who will choose a pension instead of a retirement capital.

	CPR	Active Division	CHF/000 31.12.2023	CHF/000 31.12.2022
Status at 1.1.	231	6'789	7'020	5'965
Transfer contract from Fondo to Active Division art. 98 LFus effective 1.1.2022	-	-	-	286
Updating following changes in Pension Fund Regulation and population evolution at 31.12.	17	1'253	1'270	769
Updating following changes in technical interest rate	229	-	229	-
<b>Total Conversion rate provision at 31.12.</b>	<b>477</b>	<b>8'042</b>	<b>8'519</b>	<b>7'020</b>

The provision of the *Active Division* mainly concerns active employees, while the *CPR Division's* provision of CHF 0.017 mln concerns only temporary disability under defined contribution plan present in the pensioner pool.

The item "Updating following changes in technical interest rate" in the CPR Division includes in 2023 the cost of the reduction in the technical interest rate from 1.75% to 1.132%, resulting in a greater mismatch than in 2022 between the Pensioners' liabilities calculated at the *regulatory conversion rate* and that calculated at the new technical rate.

The item "Updating following changes in Pension fund regulation and population evolution at 31.12." in the Active Division of CHF 1.270 mln also includes the impact of the increase in regulatory capital at retirement age due to the increase in employer-paid savings contributions from 1.4.2023 (details in note 3.3).

### 5.5.2. Interest provision

Pursuant to the article 32 of the Pension fund regulation of the Fondazione, the Board determines at the end of each year the interest rate for Vested benefits (for active employees' and disabled persons with defined contribution plan) and the supplementary account "Early retirement redemption", considering the overall financial situation of the Pension fund.

If a vested benefit calculation is required, for a pension case or a departure of actives, the Vested benefits as well as the supplementary account "Early retirement redemption" are remunerated with interest for the current year as decided by the Board.

On 13.11.2023, the Board had prudently decided on a 0% remuneration for active employees at 31.12.2023, in view of the underfunded situation highlighted by the pre-closing figures. However, the strong performance recovery realised in the last quarter of 2023 and the final overall situation of the Fondazione with a degree of coverage at 102% led the Board to revise its decision on 1.2.2024 and to recognise a **remuneration of 1%** on the Active employees' liabilities **for 2023**, to be credited to individual accounts with a value date of 1.1.2024. The accrued cost has therefore been charged to the Interest provision in 2023.

As a result of the underfunding in the Active Division (see note 5.10), no compensation is expected in 2024 for those who left during the year up to 30.11.2024, so no further provision is required for the expected obligation.

	CPR	Active Division	CHF/000 31.12.2023	CHF/000 31.12.2022
Status at 1.1.	-	-	-	501
Transfer contract from Fondo to Active Division art. 98 LFus effective 1.1.2022	-	-	-	20
Updating following changes in Pension Fund Regulation and population evolution at 31.12.	31	1'919	1'950	-521
Updating following changes in technical interest rate	-	-	-	-
<b>Total Interest provision at 31.12.</b>	<b>31</b>	<b>1'919</b>	<b>1'950</b>	<b>-</b>

### 5.5.3. Provision for reduction of technical interest rate for pensioners

A reduction in the technical interest rate leads to an increase in the Pensioners' liabilities and the related Actuarial provisions. If the Fondazione plans to reduce the technical interest rate used for the accounts closing in the future, a provision can be made to cover the financial obligations.

The amount of the reserve corresponds to the difference between the Pensioners' liabilities with the reduced target technical interest rate and the Pensioners' liabilities with the closing technical interest rate.

The provision may be built up gradually according to the time and amount of the expected reduction. The provision will then be used as soon as the new technical interest rate is applied. As a result of this provision, the *implied technical rate* of the CPR as at 31.12.2022 corresponded to 1% for ex Fondazione pensioners (and 0.75% for ex Fondo pensioners).

The item "Updating following changes in technical interest rate" in the CPR Division includes in 2023 the reduction of this provision "for use" related to the valuation of the Pensioners' liabilities and the actuarial provisions required at 31.12.2023 to **1.132%** instead of 1.75% (for details see note 5.7).

As no further reductions in the technical interest rate for *CPR Division* are expected soon, the excess provisions created in the past have been released.

The development in 2023 of this provision in the various segments is as follows:

	<i>Pensioners ex Fondo</i>	<i>Pensioners ex Fondazione</i>	<i>Collective provision</i>	<b>Total CPR CHF/000 31.12.2023</b>	<b>Total CPR CHF/000 31.12.2022</b>
Status at 1.1.	7'978	13'054	28'502	49'534	51'326
Updating following changes in Pension Fund Regulation and population evolution at 31.12.	-	-	-14'134	-14'134	-1'792
Updating following changes in technical interest rate	-7'978	-13'054	-14'368	-35'400	-
<b>Total Provisions for reduction of technical interest rate at 31.12.</b>	-	-	-	-	<b>49'534</b>

#### 5.5.4. Longevity risk provision for pensioners

Given that for the calculation of the Pensioners' liabilities generational tables of the calculation year are being applied there is presently no requirement to set-up an additional reserve to cover the longevity risk of pensioners for the Pensioners' liabilities built after 1.1.2021 (Active Division).

For the Pensioners' liabilities in CPR, an actuarial provision for longevity risk will be built up over time.

The expert periodically checks the necessity of this provision, amounting to CHF 2.069 mln as at 31.12.2023.

	<i>CPR</i>	<i>Active Division</i>	<b>CHF/000 31.12.2023</b>	<b>CHF/000 31.12.2022</b>
Status at 1.1.	-	-	-	-
Updating following changes in Pension Fund Regulation and population evolution at 31.12	2'069	-	2'069	-
Updating following changes in technical interest rate	-	-	-	-
<b>Total Longevity risk provision for pensioners at 31.12.</b>	<b>2'069</b>	-	<b>2'069</b>	-

#### 5.5.5. Provision for statistical fluctuations

The purpose of this provision is to guarantee the financing of annuities of the CPR pensioners by compensating for unforeseen deviations in relation to average life expectancy or parameters making it possible to define the pension liabilities of annuity beneficiaries.

It is therefore a function of the Pensioners' liabilities (excluding children's pensions) whose number of pensioners is decreasing and the law of the large numbers does not apply. The provision will be built up over time and the expert periodically checks the necessity of this provision, amounting to CHF 0.987 mln as at 31.12.2023.

	<i>CPR</i>	<i>Active Division</i>	<b>CHF/000 31.12.2023</b>	<b>CHF/000 31.12.2022</b>
Status at 1.1.	-	-	-	-
Updating following changes in Pension Fund Regulation and population evolution at 31.12	987	-	987	-
Updating following changes in technical interest rate	-	-	-	-
<b>Total Provision for statistical fluctuations at 31.12.</b>	<b>987</b>	-	<b>987</b>	-

### 5.5.6. 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.

For 2023 the actuary did not deem necessary to set up any actuarial provisions (31.12.2022: CHF 0).

### 5.5.7. Summary of Actuarial provisions

Summary development of Actuarial provisions	CPR	Active Division	CHF/000 31.12.2023	CHF/000 31.12.2022
Status at 1.1.	49'765	6'789	56'554	57'792
Transfer contract from Fondo to Active Division art. 98 LFus effective 1.1.2022	-	-	-	306
Updating following changes in Pension Fund Regulation and population evolution at 31.12.	-11'030	3'172	-7'858	-1'544
Updating following changes in technical interest rate	-35'171	-	-35'171	-
<b>Total Actuarial provisions at 31.12.</b>	<b>3'564</b>	<b>9'961</b>	<b>13'525</b>	<b>56'554</b>

Summary composition of Actuarial provisions	CPR	Active Division	CHF/000 31.12.2023	CHF/000 31.12.2022
Conversion rate provision	477	8'042	8'519	7'020
Interest provision	31	1'919	1'950	-
Provision for reduction of technical interest rate for pensioners	-	-	-	49'534
Longevity risk provision for pensioners	2'069	-	2'069	-
Provision for statistical fluctuations	987	-	987	-
<b>Total Actuarial provisions at 31.12.</b>	<b>3'564</b>	<b>9'961</b>	<b>13'525</b>	<b>56'554</b>

## 5.6. Conclusions of the last actuarial report

In march 2024 Towers Watson AG (TW) prepared the actuarial report as of 31.12.2023.

TW certify that as at the valuation date:

- the pension fund offers sufficient security to fulfil its obligations (Art. 52e Para. 1 LPP); Fondazione is not in underfunding but the Active Division is in a "moderate" underfunding;
- the pension plan rules with regards to actuarial regulations on pension benefits and their funding are compliant with legal requirements (Art. 52e Para. 1bis LPP);
- the applied technical interest rate of 1.75% for Active Division and of 1.132% for CPR corresponds to the expert's recommendation and are in line with the FRP 4 guideline;
- the LPP 2020 generational actuarial bases of the year 2024 applied are reasonable for the Fondazione;
- the target level of the Fluctuation reserve amounts to 11.9% of the liabilities for Active Division and to 2.80% for CPR, this is sufficient in TW's assessment but should be monitored yearly;
- the actuarial provisions cover all promised benefits and sufficient reinsurance measures have been taken in accordance with Art. 43 OPP2.

## 5.7. Technical bases and other significant actuarial assumptions

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

As of 31.12.2023, the actuarial calculations have been made according to the following assumptions:

- **LPP 2020 generational actuarial bases of the year 2024** (31.12.2022: generational bases LPP 2020 of the year 2023). 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 interest rate of 1.75% for Active Division and of 1.132% for CPR** (31.12.2022: 1.75% for both divisions). 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

<b>Development of Pension liabilities and actuarial provision</b>	<i>CPR</i>	<i>Active Division</i>	<b>CHF/000</b> 31.12.2023	<b>CHF/000</b> 31.12.2022
Status at 1.1.	664'615	221'848	<b>886'463</b>	910'289
Transfer contract from Fondo to Active Division art. 98 LFus effective 1.1.2022	-	-	-	8'446
Updating following changes in Pension Fund Regulation and population evolution at 31.12	-37'925	4'248	<b>-33'677</b>	-32'272
Updating following changes in technical interest rate	-	-	-	-
<b>Total of Pension liabilities and actuarial provisions at 31.12.</b>	<b>626'690</b>	<b>226'096</b>	<b>852'786</b>	<b>886'463</b>

Following the implementation of the Cash Flow Matching strategy (CFM) (details in note 6) and the creation of two Fluctuation reserves (to hedge both *credit and investment* risk for the non-CFM portion of the pool portfolio - details in note 6.2), the CPR's portfolio will be *essentially risk-free* at 31.12.2023 and the technical rate adopted must reflect this "expected return". On 13.11.2023, at the request of the expert, the Board decided to adopt a technical interest rate of **1.132% for the CPR Division**, corresponding to the average risk-free rate for 10-year government bonds over the last 12 months, as published in the SKPE (Swiss Chamber of Pension Fund Experts) press release of 29.9.2023.

However, the cost of this measure, amounting to CHF 35.400 mln (reflected in an increase of CHF 35.171 mln in the Pensioners' liabilities and CHF 0.229 mln in the Conversion rate provision of CPR's capital of disabled persons, respectively), was fully absorbed by the Provision for reduction of technical interest rate for pensioners created in the past (see note 5.5.3), with a neutral impact on the CPR Division's operating account in 2023.

As of 31.12.2023 the actuarial technical bases for Active Division remained unchanged from the previous closing.

The changes to the Pension fund regulations entered into force on 1.4.2023, which are explained in note 3.3 and essentially related to the increase in the employer-paid savings contributions, only have an impact on the Active Division (on the Active employees' liabilities at 31.12.2023 and on the projected Pensioners' liabilities for the calculation of the Conversion rate provision) and are included in the item "Updating following changes in Pension fund regulation and population evolution at 31.12."

## 5.9. Employer Contribution Reserve (ECR) without waiver of use

With the contract signed on 4.1.2021 between Fondazione and EFG, in addition to setting up the Internal Pensioners Fund (CPR) (see note 1.1), the employer undertook to pay on 1.1.2021 an amount of CHF 52 mln as an Employer Contribution Reserve (ECR), to be used during the initial period exclusively to cover fluctuations in the assets of the CPR.

If necessary, and in the event of an overdraft of the CPR, the ECR may be used to maintain the coverage ratio of the CPR by waiving its use in whole or in part (Art. 44a OPP2). In this case, the ECR is not credited with the positive return generated by the overdraft and by the waiver of use.

The above contractual rules are incorporated in Chapter E of the Pension fund regulation and any amendments are subject to the prior approval of the EFG.

The ECR was invested together with the CPR's assets until 31.12.2023, with the annual net management return (negative or positive) being charged to the Fondazione's annual costs.

As of 31.12.2023, the ECR amounts to CHF 50.993 mln, with the following movements:

<b>Evolution of the Employer Contribution Reserve (ECR) without waiver of use</b>	<b>CHF/000 31.12.2023</b>
Constitution in the month of January 2021	52'000
2021 remuneration	1'872
2022 remuneration	-4'741
2023 remuneration	1'862
<b>Total of ECR at 31.12.2023</b>	<b>50'993</b>

The 2023 net remuneration was duly reported to EFG by credit note No. 1/2023 dated 10.1.2024.

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

	<i>CPR</i>	<i>Active Division</i>	<b>CHF/000 31.12.2023</b>	<b>CHF/000 31.12.2022</b>
<b>Pension liabilities and actuarial provisions (PL)</b>	<b>621'896</b>	<b>230'890</b>	<b>852'786</b>	<b>886'463</b>
Total assets	692'861	229'758	<b>922'619</b>	924'984
(-) Accounts payables	-	-1'561	<b>-1'561</b>	-2'501
(-) Accrued liabilities and deferred income	-265	-209	<b>-474</b>	-500
(-) ECR without waiver of use	-50'993	-	<b>-50'993</b>	-49'131
<b>Net pension asset (NPA)</b>	<b>641'603</b>	<b>227'988</b>	<b>869'591</b>	<b>872'852</b>
<b>Coverage ratio (NPA/PL)*100</b>	<b>103.2%</b>	<b>98.7%</b>	<b>102.0%</b>	<b>98.5%</b>

In 2023 the coverage ratio stands at 102% for the Fondazione as a whole, which is 3.5 percentage points higher than at the previous year-end (2022: 98.5%).

The improvement of the Fondazione's coverage ratio in 2023 is due to a significant reduction in Pension liabilities and actuarial provisions of CHF 33.677 mln compared with a smaller reduction in Net pension asset of CHF 3.261 mln.

The 2023 fiscal year ended with an Income surplus of CHF 30.417 mln for the Fondazione as a whole, allocated for CHF 10.710 mln to partially cover last year's Expense surplus and CHF 19.707 mln to replenish the CPR Fluctuation reserve (see note 6.2).

However, the Active Division closed at 31.12.2023 with an underfunding of 98.7%, as the generated Income surplus of CHF 8.204 mln was not sufficient to fully cover the losses of 2022.

The "Net income from insurance activities" of CHF -5.715 mln was more than covered by the "Net income from investments" amounting to CHF 37.143 mln.

In 2023 the "Net income from investments" gives a return of +4.05% on average investments (see note 6.6, 2022: -10.06%), against a remuneration of the Pensioners' liabilities for a theoretical 1.132% for CPR and 1.75% for Active Division and an interest rate of 1% for Active employees' liabilities for 2023.

## 6. Explanatory notes on Investments and on Net income from investments

### 6.1. Organization of investing activity, Investment regulation

As stated in section 1.2 of the new Investment regulation approved on 13.11.2023, the *risk capacity* of Fondazione must be considered when managing its assets. The Fondazione takes care to guarantee the nominal value of the contractual pension plan benefits as defined in the Pension fund regulation, in this context the development of liabilities of the body of beneficiaries and of the pension assets must be taken into account.

The objectives of asset management are to generate a *sufficient return* to ensure an appropriate investment risk distribution and to provide the necessary liquidity to cover the statutory and regulatory obligations as well as the need for liquid assets. In the event of underfunding, measures must be taken to restore financial equilibrium. In this context, assets must also be reviewed and, if necessary, adjusted to the situation.

In compliance with the Organization regulation section 3.5.3, the 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 Investment Committee (IC) is responsible for analysing and reviewing the investments of Fondazione and works closely with the IC of the EFG Pension Fund/FCT on the alignment of the EFG pension funds. The IC has the following main responsibilities (non-exhaustive list, from section 4.2.4 of the Organization regulation):

- regular monitoring of assets under administration, applied strategy and investment categories;
- periodic verification of the investment strategy applied;
- periodic verification of the results achieved under the Fondazione's portfolio management mandates;
- proposes to the Board the granting of external mandates for analyses, in-depth studies and asset liability management studies exceeding CHF 20'000;
- decides on the granting of mandates to outsiders up to an annual amount per mandate of CHF 20'000 within an overall annual budget;
- makes regular reports to the Board.

As at 31.12.2023, **assets were managed** as follows:

- Swiss real estate funds (**SAST**) and Foreign real estate funds (**UBS funds**), both of the Active Division and of the CPR, are **directly monitored** by the IC and the Board and are deposited with the Zürcher Kantonalbank in Zurich and UBS Switzerland in Lugano respectively (note 1.5).
- The asset management excluding SAST and UBS funds of the Active Division is entrusted to EFG, Lugano branch (employer). Starting from 1.1.2020 the Bank then fully **delegated** the management of the portfolio management mandate to the subsidiary **EFGAM**.
- The management of the CPR bond portfolio, whose expected cash flows have been matched to the expected pension payments based on longevity assumptions defined in collaboration with the TW expert (**CFM** - Cash Flow Matching Portfolio), has been entrusted to Lombard Odier Asset Management Switzerland (**LOIM**) since July 2023.

The Asset 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 written form;
- they provide the Fondazione with periodical reports on asset performance. For this purpose, they draft a report on their activity in the period under reporting and they provide a verbal report (if necessary) to the Foundation Manager, the CI and/or directly to the Foundation Board.

The Investment regulation defines two strategic asset structures in Appendix 1, for the CPR (**Ringfenced Pensioner Portfolio**) and for the Active Division (**Active Insured Portfolio**), which are separately presented and commented in note 6.3. As from 1.1.2012, the Board has entrusted PPCMetrics with the activities of an independent **Investment Controller**. In line with its fiduciary duty, Fondazione recognises its **ethical, social and environmental (ESG) responsibilities** and the importance of good corporate governance in relation to the management of pension assets. Fondazione exercises this responsibility in its role as investor. This year, PPCMetrics was responsible for preparing the first **Sustainability Report** of Fondazione, in accordance with the ESG guidelines of the Swiss Association of Pension Funds.

Fondazione exercise its **voting and electoral rights** (shareholder rights) at the General Meetings of Swiss public limited companies listed on the stock exchange in the interests of its insured members, in particular with regard to the agenda items referred to in Art. 71a para. 1 LPP. During 2023 Fondazione invested in securities exclusively using **collective funds** (without any possibility to bindingly exercise the right of vote), in **bonds** for the CPR or in **real estate funds of unlisted companies** and it has no obligation to report to its members pursuant to Art. 71b LPP.

## 6.2. Target value and calculation method of the Fluctuation reserve

	CPR	Active Division	CHF/000 31.12.2023	CHF/000 31.12.2022
Situation at 1.1 of Fluctuation reserve	-	-	-	96'957
Assets transfer <sup>1</sup>	-	-	-	998
Release (-) / Creation in Operating account	19'707	-	19'707	-97'955
<b>Fluctuation reserve at 31.12.</b>	<b>19'707</b>	<b>-</b>	<b>19'707</b>	<b>-</b>
<b>Target Fluctuation reserve</b>	<b>17'100</b>	<b>27'476</b>	<b>44'576</b>	<b>160'450</b>
Shortfall in Fluctuation reserve			24'869	160'450

<sup>1</sup> Included in the transfer contract from Fondo pursuant to Article 98 Lfus.

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 Fluctuation reserve is divided into two parts, the part allocated to the CPR Division and the part allocated to the Active Division.

The method and target value of the **CPR Fluctuation reserve** are defined in the Regulation of actuarial provision. With the new investments in the CPR's CFM portfolio, the target value of the Fluctuation reserve is divided into two components:

- The risk buffer for potential **default and downgrade losses** for the matched Cashflows in the CFM portfolio until the year 2042 (receding over time) is 1.94% of the sum of the discounted Cashflows. The discount rate for the matched Cashflows in CFM portfolio is the net technical rate of 1.82%.
- The Fluctuation reserve for the **non-CFM part of CPR investments** is 8.34% of the sum of the risk free discounted cashflows (long term assumption) from 2043 onwards, corresponding to the non-CFM investments in unlisted real estate (SAST and UBS funds). The financial method chosen is the Value at Risk model at 97.5% safety level over one year.

The target value of the Fluctuation reserve of the CPR Fluctuation reserve is calculated by the expert and amounts to **CHF 17.100 mln** as at 31.12.2023. However, it is important to note that in a "cash flow matching" logic, it is the yield to maturity of the bonds, rather than the market value of the portfolio at each year-end, that will matter in the CPR business in the coming years.

The method for calculating the target value of the **Fluctuation reserve for the Active Division** is defined in the Investment Regulation.

The target value of the Fluctuation reserve for the Active Division is calculated using the financial-economic method (Value at Risk model) and is expressed as a percentage of the "Pension liabilities and actuarial provisions" of the Active Division of the Fondazione.



The target value 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 Active Division* of Fondazione. The confidence level is 97.5% for one year. 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 target value of the Fluctuation reserve for the Active Division is controlled on a yearly basis supported by PPCMetrics or, if extraordinary events require it, it is modified by the Foundation Board.

For the year under review, the target Fluctuation reserve determined for the Active Division represents 11.9% of their Pension liabilities and Actuarial provisions, which amount to CHF 27.476 mln and entirely to be established.

A pension fund that can boast the full establishment of the Fluctuation reserve has a higher risk capacity and the financial strength useful for facing the future with confidence.

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

	CPR	Active Division	CHF/000 Total assets	in % at 31.12.2023	in % OPP2 Limits
Liquid funds and Derivatives	68'070	2'270	70'340	7.6%	
<i>of which by Employer<sup>1</sup></i>	587	786	1'373	0.1%	5%
Bonds	520'229	72'601	592'830	64.3%	
Equities	-	98'150	98'150	10.6%	50%
Alternative investments	-	3'367	3'367	0.4%	15%
Real estate funds	103'249	51'855	155'104	16.8%	30%
<i>of which foreign</i>	36'866	8'510	45'376	4.9%	10%
Other receivables	1'313	1'515	2'828	0.3%	
<b>Total assets (art. 49 OPP2)</b>	<b>692'861</b>	<b>229'758</b>	<b>922'619</b>	<b>100.0%</b>	
of which Foreign currencies unhedged <sup>2</sup>	-	46'382	46'382	5.0%	30%

<sup>1</sup> See details in note 6.8

<sup>2</sup> Information taken from the Investment Controlling Report as at 31.12.2023

**Category limits under OPP2** as at 31.12.2023 were respected. All other individual investment limits are also respected:

- for each debtor (10% as per art. 54 OPP2),
- for participation in each company (5% as per art. 54a OPP2),
- for each real estate (5% as per art. 54b OPP2).

Liquid funds and Derivatives item also include Operative cash of Fondazione, which, in accordance with UFAS Release No. 84/486, is not considered as an investment with the employer (Art. 57 OPP2), nor is it added up when calculating the exposure to a single debtor (Art. 54 OPP2).

On the other hand, the verification of compliance with the **strategy limits** must be carried out separately for the CPR and the Active Division, as the Investment Regulation has defined two strategic asset structures: the **Ringfenced Pensioners Portfolio** and the **Active Insured Portfolio**.

#### 6.3.1. Strategic Asset Allocation of the CPR Division

Completely segregated accounts, with direct allocation of costs and revenues, are used to manage the **Ringfenced Pensioners Portfolio**.

In July 2023, the Board decided to implement a **Cash Flow Matching Strategy** (CFM) in the CPR to match cash flows of the bond portfolio with the expected pension payments.

Bond selection and management of this portfolio is entrusted to **Lombard Odier Asset Management** (LOIM), with EFG as custodian bank.

LOIM has implemented a portfolio in the CPR, with maturity and liquidity characteristics, that aim to generate cash flows (coupons and principal repayments) in line with the expected cash flows calculated by Fondazione with the support of the TW expert. The Fondazione will notify LOIM of the revised expected cash flows and the asset manager will have a maximum of 20 working days to implement the necessary changes within the portfolio.

While 19 years of expected cash flows in the CPR are matched in this CFM-LOIM portfolio, the remaining part is invested in Unlisted Real estate funds (SAST and UBS Funds) and cash (operating current account and term deposits). The table below shows the overall situation of the Ringfenced Pensioners Portfolio of the CPR Division as at 31.12.2023, with a comparison of the allocation percentages in the various instruments at the end of the year compared to the implementation date as set out in Appendix 1 of the Investment regulation.

Ringfenced Pensioners Portfolio strategy	31.12.2023		
	Total assets of CPR		
	CHF/000	in %	% at implementation on 30.11.2023
Operative cash in CHF	458	0.1%	
Term deposits in CHF <sup>1</sup>	51'591	7.4%	
Cash under mandate in CHF	587	0.1%	
Money market funds in CHF	15'434	2.2%	
<b>Liquid funds and Derivatives</b>	<b>68'070</b>	<b>9.8%</b>	<b>8.0%</b>
<b>Bonds</b>	<b>520'229</b>	<b>75.1%</b>	<b>77.0%</b>
Unlisted Swiss real estate funds - SAST	66'383	9.6%	10.0%
Unlisted Foreign real estate funds (hedged in CHF) - UBS funds	36'866	5.3%	5.0%
<b>Real Estate funds</b>	<b>103'249</b>	<b>14.9%</b>	<b>15.0%</b>
<b>Other receivables<sup>2</sup></b>	<b>1'313</b>	<b>0.2%</b>	<b>0.0%</b>
<b>Total assets of CPR (art. 49 OPP2)</b>	<b>692'861</b>	<b>100%</b>	<b>100%</b>

<sup>1</sup> This item includes a deposit of CHF 1.5 mln with maturity on 18.1.2024 and a deposit of CHF 50 mln with maturity on 31.1.2024, as well as the related accrued interest as at 31.12.2023.

<sup>2</sup> This is the Credit for withholding tax related to the mandate and not, which the Administration is responsible for recovering.

The percentages at inception, as set out in the Investment regulations, should not be regarded as a strategic target for the CPR portfolio. As the annuity payments progress, through coupons and redemptions of maturing Bonds, the percentage of Bonds under management will gradually decrease.

To support the financial stability of the CPR Division, the EFG employer paid in an Employer Contribution Reserve (ECR - note 5.9) in January 2021. As at 31.12.2023, the ECR is invested in a term deposit until 31.1.2024 at a gross interest rate of 1.54%. After that date, the ECR will be invested and remunerated in 2024 according to the EFG employer's decisions, which will amend the original contract for the establishment of the ECR to align it with the changed requirements following the implementation of the Cash Flow Matching Strategy.

### 6.3.2. Strategic Asset Allocation of the Active Division

The table below shows the investment strategy approved on 13.11.2023 by the Board for the **Active Insured Portfolio**, implemented in the Investment regulation approved on 14.12.2023.

Active Insured Portfolio	31.12.2023		Strategy limits from 13.11.2023		
	Total assets of Active Division		Min	Neutral	Max
	CHF/000	in %			
Operative cash in CHF	183	0.1%			
Term deposits in CHF <sup>1</sup>	1'301	0.6%			
Cash under mandate in CHF	50	0.0%			
Cash under mandate in Foreign Currencies	36	0.0%			
Fiduciary deposit 48h under mandate in CHF	700	0.3%			
<b>Liquid funds</b>	<b>2'270</b>	<b>1.0%</b>	<b>0.00%</b>	<b>2.00%</b>	<b>31.00%</b>
Bonds in CHF	21'868	9.5%	3.85%	8.25%	12.50%
Government Bonds in Foreign Currencies (hedged in CHF)	11'320	4.9%	2.55%	5.45%	8.00%
Corporate Bonds in Foreign Currencies (hedged in CHF)	13'688	6.0%	1.10%	2.30%	3.40%
Emerging Markets Bonds (hedged in CHF)	8'849	3.9%	0.00%	5.00%	7.65%
Convertible Bonds (hedged in CHF)	10'495	4.6%	0.00%	2.15%	3.60%
High Yield Bonds	6'381	2.8%	0.00%	5.00%	7.65%
<b>Bonds</b>	<b>72'601</b>	<b>31.6%</b>	<b>7.50%</b>	<b>28.15%</b>	<b>42.80%</b>
Swiss Equities	16'447	7.2%	2.20%	7.25%	11.10%
Foreign Equities	72'615	31.6%	7.70%	28.50%	43.50%
Emerging Markets Equities	9'088	4.0%	4.60%	5.10%	7.75%
<b>Equities</b>	<b>98'150</b>	<b>42.7%</b>	<b>14.50%</b>	<b>40.85%</b>	<b>62.35%</b>
Private equity	3'367	1.5%	0.00%	5.00%	7.75%
<b>Alternative investments</b>	<b>3'367</b>	<b>1.5%</b>	<b>0.00%</b>	<b>5.00%</b>	<b>7.75%</b>
Unlisted Swiss real estate funds - SAST	43'345	18.9%	10.00%	20.00%	30.00%
Unlisted Foreign real estate funds (hedged in CHF) - UBS funds	8'510	3.7%	2.00%	4.00%	6.00%
<b>Real Estate funds</b>	<b>51'855</b>	<b>22.6%</b>	<b>12.00%</b>	<b>24.00%</b>	<b>36.00%</b>
<b>Other receivables<sup>2</sup></b>	<b>1'515</b>	<b>0.7%</b>		<b>0.00%</b>	
<b>Total assets of Active Division (art. 49 OPP2)</b>	<b>229'758</b>	<b>100.0%</b>		<b>100.00%</b>	
<b>of which Foreign currencies unhedged<sup>3</sup></b>	<b>46'382</b>	<b>20.2%</b>	<b>0.00%</b>	<b>15.10%</b>	<b>23.15%</b>

<sup>1</sup> This item includes a deposit of CHF 1.3 million with maturity date 3.12.2024 as well as the related accrued interest to 31.12.2023.

<sup>2</sup> This is the Credit for withholding tax related to the mandate and not, which the Administration is responsible for recovering.

<sup>3</sup> Information taken from the Investment Controlling Report as at 31.12.2023.

The strategic neutral limit of 5% of the global portfolio of the Active Division has been calculated for **Private equity**, taking into account the commitment decided and approved by the Board in 2021. The 1.5% weighting at 31.12.2023 is directly influenced by the capital calls, typical of this type of investment, that have already taken place, which represent approximately 37.5% of the total commitment.

The transition rule, approved by the Board on 14.2.2022 and valid from 1.10.2021, will see the weight of private equity shift over time until full investment in this category, in line with future capital calls. The transaction financed 40% by Bonds in CHF and 60% by Convertible Bonds has as a direct consequence, during the transition, the exceeding of the upper limit present at 31.12.2023 in the *Convertible Bonds* (4.6% to 3.6%), which therefore does not represent a direct violation of the strategic fluctuation margins, as they were compatible with the limits set during the transitional period.

As at 31.12.2023, two other strategic limits were violated:

- 6% of Corporate Bonds in Foreign Currencies (against the upper limit of 3.4%),
- 4% of Emerging Markets Equities (against the bottom limit of 4.6%).

As at 31.12.2023, the Asset manager EFGAM was aware of the ongoing work of the **EFG Pension Funds Steering Committee** to align in early 2024 the investment strategies of the Active Division of Fondazione and the FCT, affecting all portfolio weightings and including new asset classes.

The Asset manager EFGAM considered more appropriate to leave the existing positions unchanged as at 31.12.2023 in order to *minimise the cost of implementing* the new strategy, violating *de facto* strategic limits already exceeded. The new strategic asset allocation was then formally approved by the Board on 1.2.2024.

#### 6.4. Compliance with EFG asset management mandate limits

As mentioned in note 6.1, Fondazione has:

- in the CPR, a management agreement with LOIM for administration of the Cash Flow Matching Portfolio (CFM),
- in the Active Division, a management mandate with EFGAM.

The verification of compliance with the **mandate limits** is therefore carried out separately for the two divisions.

##### 6.4.1. Management mandate in CPR Division

All assets included in the CFM LOIM portfolio are denominated in CHF.

In the following table a breakdown of the portfolio by instrument as at 31.12.2023:

	31.12.2023	
	CFM-CPR Mandate	
<b>Cash Flow Matching Portfolio</b>	<b>CHF/000</b>	<b>in %</b>
Cash under mandate in CHF	587	0.1%
Money market under mandate in CHF	15'434	2.9%
<b>Liquid funds and Derivatives</b>	<b>16'021</b>	<b>3.0%</b>
<b>Bonds</b>	<b>520'229</b>	<b>97.0%</b>
<b>Total Cash Flow Matching Portfolio<sup>1</sup></b>	<b>536'250</b>	<b>100.0%</b>

<sup>1</sup> The portfolio managed by LOIM represents 77% of the CPR's global assets (see note 6.3.1) at 31.12.2023.

The Asset manager is contractually authorised to maintain a liquidity buffer (cash and short-term instruments) equivalent to 1-6 months of expected cash flows.

The composition of the portfolio by rating at 31 december 2023 is as follows:

	31.12.2023	
	% CFM-CPR Mandate	
<b>Rating in %<sup>1</sup> of Cash Flow Matching Portfolio</b>	<b>in %</b>	
Cash under mandate in CHF	0.1%	
Money market under mandate in CHF	2.9%	
AAA	23.5%	
AA	26.8%	
A	32.6%	
BBB	14.2%	
<b>Total Cash Flow Matching Portfolio</b>	<b>100.0%</b>	

<sup>1</sup> Information from LOIM's Q4 2023 Management report.

LOIM must contractually maintain an **average portfolio rating of at least A** (according to the SBI - Swiss Bond Index-SIX Group rating scale). The Manager must inform the Fondazione if the average portfolio rating falls below A or if a position falls below BBB. Bonds rated below triple B may not exceed 10% of the total portfolio. As at 31.12.2023, all rating limits have been met.

#### 6.4.2. Management mandate in Active Division

Active Insured Portfolio Mandate	31.12.2023		Mandate limits 30.9.2023		
	Active Division Mandate		Min	Neutral	Max
	CHF/000	in %			
Cash under mandate in CHF	50	0.03%			
Cash under mandate in Foreign Currencies	36	0.02%			
Fiduciary deposit 48h under mandate in CHF	700	0.40%			
<b>Liquid funds and Derivatives</b>	<b>786</b>	<b>0.45%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>31.00%</b>
Bonds in CHF	21'868	12.50%	5.20%	11.10%	16.95%
Government Bonds in Foreign Currencies (hedged in CHF)	11'320	6.47%	3.40%	7.35%	10.71%
Corporate Bonds in Foreign Currencies (hedged in CHF)	13'688	7.83%	1.45%	3.15%	4.59%
Emerging Markets Bonds (hedged in CHF)	8'849	5.06%	0.00%	6.80%	10.50%
Convertible Bonds (hedged in CHF)	10'495	6.00%	0.00%	2.90%	4.85%
High Yield Bonds	6'381	3.65%	0.00%	6.80%	10.50%
<b>Bonds</b>	<b>72'601</b>	<b>41.51%</b>	<b>10.05%</b>	<b>38.10%</b>	<b>58.10%</b>
Swiss Equities	16'447	9.40%	2.95%	9.80%	15.00%
Foreign Equities	72'615	41.52%	10.45%	38.75%	58.65%
Emerging Markets Equities	9'088	5.20%	0.00%	6.85%	10.45%
<b>Equities</b>	<b>98'150</b>	<b>56.12%</b>	<b>13.40%</b>	<b>55.40%</b>	<b>84.10%</b>
Private equity	3'367	1.93%	0.00%	6.50%	10.50%
<b>Alternative investments</b>	<b>3'367</b>	<b>1.93%</b>	<b>0.00%</b>	<b>6.50%</b>	<b>10.50%</b>
<b>Total Active Insured Portfolio Mandate</b>	<b>174'904</b>	<b>100.00%</b>		<b>100.00%</b>	
<b>of which Foreign currencies unhedged<sup>1</sup></b>	<b>46'382</b>	<b>26.52%</b>	<b>0.00%</b>	<b>20.15%</b>	<b>31.45%</b>

<sup>1</sup> Information taken from the Investment Controlling Report as at 31.12.2023.

As of 31.12.2023, *not all* tactical fluctuation margins provided for in the current mandate for the Active Division were met:

- Convertible Bonds were 6% invested against the maximum allowed of 4.85%,
- Corporate Bonds in Foreign Currencies were 7.83% invested against the maximum allowed of 4.59%.

For **Private equity** category, the strategic neutral limit of 6.5% of the Active Division's mandate was calculated considering the commitment decided and approved by the Board in 2021. However, the percentage weighting of 1.93% at 31.12.2023 is directly influenced by the capital calls already made, which are characteristic of this type of investment. The transitional rule approved by the Board on 14.2.2022, which will apply from 1.10.2021 until full investment in the category, will see the weighting of Private equity shift over time in line with future capital calls. The transaction financed 40% by Bonds in CHF and 60% by Convertible Bonds has as a direct consequence, during the *transition period*, the exceeding of the upper limit present at 31.12.2023.

With regard to the second violation, as already mentioned in note 6.3.2, the Asset manager considered more appropriated to keep the positions in place as at 31.12.2023 unchanged in order to *minimise the implementation costs* of the new mandate due to the approval of a new strategy in 2024.

## 6.5. Open financial derivatives instruments

There are no open financial derivatives instruments in either the CPR or the Active Division as at 31 December 2023.

The item "Income from Derivatives" in "Net income from Investment" includes the loss of CHF 3.292 mln realised during the year in the CPR at the closing of the four short futures contracts open at 31.12.2022.

## 6.6. Comments on Net income from investments

For a better understanding of the "Net income from investments" and the return in percentage, the **Net Assets (including ECR)** is used for the calculation of the average investment, which, unlike the Net pension asset shown in note 5.10, also includes the ECR paid by the employer for the benefit of the CPR (invested during 2023 together with the Ringfenced Pensioners Portfolio and placed on 31.12.2023 in a dedicated Term deposit).

Global Performance	CPR	Active Division	CHF/000 Total Fondazione
Net Assets (including ECR) <sup>1</sup> at 31.12.2023	692'597	227'988	920'585
Net Assets (including ECR) <sup>1</sup> at 31.12.2022	711'240	210'742	921'982
<b>Average monthly investment<sup>2</sup></b>	<b>701'919</b>	<b>219'365</b>	<b>921'284</b>
Income from Liquid funds	240	39	279
Income from Bonds <sup>3</sup>	20'849	3'428	24'277
Income from Equities <sup>4</sup>	5'269	10'122	15'391
Income from Alternative investments <sup>5</sup>	5'491	-99	5'392
Income from Real estate funds	2'264	-127	2'137
<i>of which Income from Unlisted Swiss real estate - SAST</i>	6'026	924	6'950
<i>of which Income from Unlisted Foreign real estate (hedged in CHF) - UBS Funds</i>	-4'100	-1'374	-5'474
<i>of which Income from Listed Swiss real estate funds<sup>6</sup></i>	338	323	661
Income from Securities lending	3	1	4
Income from Derivatives <sup>7</sup>	-3'292	-	-3'292
Remuneration of ECR <sup>8</sup>	-1'862	-	-1'862
Asset management expenses	-3'701	-1'482	-5'183
<b>Net income from investments in Operating account 2023</b>	<b>25'261</b>	<b>11'882</b>	<b>37'143</b>
<b>Net income in % of the Average investment at 31.12.2023</b>	<b>3.62%</b>	<b>5.44%</b>	<b>4.05%</b>
Net income in % of the Average investment at 31.12.2023	-8.12%	-16.72%	-10.06%

<sup>1</sup> Net Assets includes the ECR invested until 30.9.2023 in the EFGAM Ringfenced Pensioners Portfolio and later, after the implementation of the Cash Flow Matching Portfolio with LOIM, in a Term deposit.

<sup>2</sup> The average monthly investment is calculated as the **accounting average** of the Net Assets (including ECR) of all month-ends in 2023.

<sup>3</sup> In the CPR is included a **realised gain** of CHF 2.881 mln from the sale of bonds in the discontinued EFGAM portfolio.

<sup>4</sup> In the CPR, this is the **realised gain** from the sale of the Equities during the dissolution of the EFGAM portfolio.

<sup>5</sup> In the CPR it is the **realised gain** from the sale of Hedge funds, Insured linked securities, CAT Bonds, Multi-Asset during the dissolution of the EFGAM portfolio. In the Active Division it is the change in value during the year of the Private equities already 'called in'.

<sup>6</sup> **Income realised** in the year for the sale of a category no longer in the strategy of either CPR or the Active Division.

<sup>7</sup> Details in note 6.5, result of the closure of the four short futures contracts open as at 31.12.2022.

<sup>8</sup> Details in note 5.9.

The "Net Assets (including ECR)" is calculated by deducting "Accounts payables" and "Accrued liabilities" from "Total assets".

The "Net income from investments" of the Fondazione as of 31.12.2023 amounts to a total of CHF +37.143 mln (2022: CHF -99.732 mln).

The CPR Division contributed for CHF +25.261 mln and the Active Division for CHF +11.882 mln to the overall result.

The net profit realised in 2023 by the CPR Division due to the termination of the EFGAM mandate (between July and September) amounted to CHF +8.848 mln.

The 2023 average net performance in percentage *for the CPR Division* can be broken down as follows:

- 2.29% from dissolved EFGAM mandate at 30.9.2023,
- 3.95% from the new CFM-LOIM mandate from July 2023,
- 4.25% from Unlisted Swiss real estate – SAST,
- -10.30% from Unlisted Foreign real estate – UBS funds.

The 2023 average net performance in percentage for the Active Division can be broken down as follows:

- 7% from EFGAM mandate,
- 1.73% from Unlisted Swiss real estate – SAST (in the portfolio since July 2023, after the purchase from CPR)
- -10.30% from Unlisted Foreign real estate – UBS funds.

## 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 Fondazione 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” increased accordingly.

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

As at 31.12.2023, the total value of the collective investment expense ratios, calculated with the TER index amounted to CHF 2.540 mln (31.12.2022: CHF 3.937 mln).

The significant decrease compared to the previous year is related to the termination of the EFGAM mandate in the CPR Division, which ended on 30.9.2023 and to the investment of about 75% of this Division's assets in Direct Bonds (details in note 6.3.1), for which direct administration costs are paid.

### 6.7.2. Total of Asset management expenses reported in the Operating account in percentage of transparent investments

	CPR	Active Division	CHF/000 31.12.2023	CHF/000 31.12.2022
Direct costs	2'057	586	2'643	2'377
Indirect costs (calculated based on the TER cost ratio)	1'644	896	2'540	3'937
<b>Total of Asset management expenses</b>	<b>3'701</b>	<b>1'482</b>	<b>5'183</b>	<b>6'314</b>
Total of transparent investments <sup>1</sup>	690'492	226'741	917'233	917'442
<b>Asset management expenses as a % of Transparent investments</b>	<b>0.54%</b>	<b>0.65%</b>	<b>0.57%</b>	<b>0.69%</b>

<sup>1</sup> Corresponds to the “Net Assets (including ECR)” shown in note 6.6 excluding the part relating to the two Operative cash accounts (CPR and Active Division), which are not subject to “Asset management expenses”. Instead, the ECR invested at 31.12.2023 in a dedicated Term deposit is included.

In percentage terms of transparent investments, “Asset management expenses” decreased in 2023 from 0.69% to 0.57%.

In particular, CPR's expenses decreased from 0.67% in 2022 to 0.54% in 2023.

With the set-up of the Cash Flow Matching Portfolio, which consists mainly of Bonds that will be held to maturity, no more indirect expenses are incurred in the CPR Division but only direct expenses. In particular, CHF 430'800 were paid in 2023 for the set-up of the new LOIM portfolio, expenses which will be replaced from 2024 by an annual *Maintain commission fee* of CHF 129'720.

### 6.7.3. Cost transparency ratio

	CPR	Active Division	CHF/000 31.12.2023	CHF/000 31.12.2022
Transparent investments	690'492	226'741	917'233	917'442
Investments under mandate LOIM, EFGAM, SAST and UBS <sup>1</sup>	690'492	226'741	917'233	917'442
<b>Cost transparency ratio</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

<sup>1</sup> Corresponds to the "Net Assets (including ECR)" shown in note 6.6 *excluding* the part relating to the two Operative cash accounts (CPR and Active Division), which are not subject to "Asset management expenses". Instead, the ECR invested at 31.12.2023 in a dedicated Term deposit is included.

### 6.7.4. List of Investments for which Asset management expenses are unknown (article 48a, paragraph 3)

Pursuant to article 48a, paragraph 3 OPP2, on 31.12.2023 remained in the portfolio of the Active Division one security lacking a breakdown of the Asset management expenses given the difficulties in disposing of the shares, the security was completely depreciated as at 31.12.2017. The aforementioned investment is as follows:

ISIN	Provider	Name of security	Quantity at 31.12.2023	Currency	Market value in CHF at 31.12.2023
CH0011402895	Minicap Technology Investment AG	Registered shares Minicap Technology Investment AG	10'000	CHF	-

### 6.8. Explanation of Investments with the employer

Investments with the employer	CPR	Active Division	CHF/000 31.12.2023	in % <sup>2</sup>	OPP2 Limit	Article
Cash under mandate in EFG SA <sup>1</sup>	587	86	673	0.07%		
Fiduciary deposit 48h under mandate in CHF	-	700	700	0.08%		
<b>Total investments with the employer</b>	<b>587</b>	<b>786</b>	<b>1'373</b>	<b>0.15%</b>	<b>5%</b>	57 para. 2
<b>EFG Collateral Value</b>			<b>1'288</b>	<b>93.81%</b>		

<sup>1</sup> These are the accounts under management in CHF and in Foreign Currencies, excluding Money market under mandate.

<sup>2</sup> As a % of the Total Assets of Fondazione (Art. 49 OPP2), which amount to 922.619 CHF/000 detailed in note 6.3.

In case of a bank's pension fund (see UFAS journal N° 84/486), **Operative cash** should not be calculated as investment with the employer (for verification of the 5% limit see Art. 57 OPP2 para. 2) and it shall not affect the Asset manager's activity and performance.

A **collateralization agreement** is in place between the Fondazione and EFG, whereby the employer agrees to guarantee the cash of the Pension fund deposited in the current accounts of the asset management (CPR and Active Division) by establishing a collateral deposit for the total of the Fondazione. The guaranteed amount includes any unrealized profit from futures positions not daily accounted (Open financial derivatives instruments).

As of 31.12.2023, the collateral amounted to CHF 1.288 mln, covering 93.81% of the assets invested with the employer, against a contractually stipulated minimum of 105%. The under-collateralisation as of 31.12.2023 results from the disregard of the Fiduciary deposit under mandate. To prevent this from happening in the future, it has been agreed with the Asset manager EFGAM to exclude this type of instrument from its investments and to favour possible Term deposits in the event of temporary surpluses of cash to be invested.

### 6.9. Retrocessions

The Fondazione only received retrocessions from EFG.

As of 1.7.2020 all investment funds are "retro-free".



## 7. Comments on other Balance sheet and Operating account positions

### 7.1. Other receivables

	CPR	Active Division	CHF/000 31.12.2023	CHF/000 31.12.2022
Credits for withholding Tax	1'313	437	1'750	2'144
Credits towards reinsurer	-	1'078	1'078	1'069
<b>Other receivables</b>	<b>1'313</b>	<b>1'515</b>	<b>2'828</b>	<b>3'213</b>

The refund of Credits for withholding tax as at 31.12.2022 took place in the month of march 2023.

The Credits towards reinsurer as at 31.12.2023 include the advance payment of risk insurance premiums for 2024 paid in advance in december based on an interim invoice of CHF 0.882 mln.

### 7.2. Accrued liabilities and deferred income

	CPR	Active Division	CHF/000 31.12.2023	CHF/000 31.12.2022
Deferred income from revenues pertaining to future period	255	44	299	295
Invoices to be received and other accrued liabilities	9	166	175	205
<b>Accrued liabilities and deferred income</b>	<b>264</b>	<b>210</b>	<b>474</b>	<b>500</b>

### 7.3. General administration expenses

“General administration expenses” amounted to CHF 1'013'961 as of 31.12.2023 (2022: CHF 832'692). The Operating account already details the costs billed by the Expert, Auditor and the Supervisory Authority. Marketing and advertising expenses include the costs incurred for the preparation and publication of the Annual report. General administration mainly includes the costs of the Fondazione's employees (see note 1.4.4.), training expenses and the IT costs.

The increase in costs for 2023 compared to 2022 is mainly due to consulting fees for the implementation of the Cash Flow Matching strategy in the CPR Division.

## 8. Requirements of the Supervisory Authority

By decision of 28.2.2024, the Supervisory Authority acknowledged the 2022 Annual report.

Also dated 28.2.2024, the Supervisory Authority confirmed the *formal assessment* of the Organization regulation, approved by the Foundation Board on 13.11.2023, with validity from 13.11.2023.

*Formal control confirmations* have not yet been received for the following documents:

- the Pension fund regulation, approved by the Foundation Board on 2.2.2023, with validity from 1.4.2023;
- the Investment regulation, approved by the Foundation Board on 7.11.2022, with immediate validity;
- the Pension fund regulation, approved by the Foundation Board on 13.11.2023, with validity from 1.9.2023;
- the Investment regulation, approved by the Foundation Board on 14.12.2023, with validity from 13.11.2023;
- the Regulation of actuarial provisions, approved by the Foundation Board on 1.2.2024, with validity from 31.12.2023.

## 9. Further information regarding the financial situation

During 2023 the Board has informed more than once active employees and pensioners about the situation of the Fondazione.

Specifically:

- On 25.1.2023, Giorgio Pradelli (CEO EFG International) and Ioanna Archimandriti (Global Head of HR) informed all active employees on the increase in employer-paid savings contributions from 1.4.2023 for all persons aged 35 and over and on the increase in the maximum insurable salary in the EFG pension plan from CHF 500'000 to CHF 860'400. For people also in FCT 1e, it has also been possible to insure bonuses in this plan since march 2023.
- With a communication dated 3.2.2023, all active employees were informed about the publication on the internal company portal of the new Pension fund regulation valid as of 1.1.2023. Transparency was given on the coverage ratio and performance in the year 2022, and the Board's decisions regarding the interest payments in the year 2022 and the rate used for the projections of the remuneration of the Retirement assets in the pension certificates were communicated. It was also informed that the publication of the 2023 certificates would take place during june 2023.
- On 17.5.2023 the Annual report 2022 was released and made available to all active employees and pensioners respectively by posting on the company's web portal and public website. With the same communication, the four new members of the Foundation Board, representing the active employees, elected at the Delegates' Meeting on 15.5.2023, were announced. All active insured persons were also informed of the publication of their pension certificate valid for the year 2023 and the corresponding reading guide available in the Fusion application.
- On 21.6.2023, all pensioners of Fondazione were asked to confirm in writing their life existence, marital status, tax domicile and other personal data.
- On 13.10.2023, active employees were informed about the year-end deadlines.
- In a communication dated 2.2.2024, transparency was provided to all active employees in particular on the coverage ratio, performance and interest payments for the year 2023, on the composition of the Foundation Board and on the newly published Pension fund regulation, which came into force on 1.9.2023. It was also announced that the 2024 certificates are scheduled to be published in may 2024.

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

As of 31.12.2023, the Fondazione has an overall coverage ratio of 102%, with a slight underfunding situation in the Active Division at 98.7% (note 5.10).

As a first recapitalisation measure, on 1.2.2024 the Board resolved **to reduce to zero the remuneration of Vested benefits** for upcoming departures and retirements until 30.11.2024 (Chapter V, Art. 29, para. 2 of the Pension fund regulation). The EFG Pension Funds Steering Committee is then **reviewing the current investment strategy** of its pension funds (Fondazione and FCT) and its asset management organizational structure to achieve better and positive market performance.

In the event of further future deteriorations in the coverage ratio, it will be the EFG Pension Funds Steering Committee that will evaluate possible recovery plans for the current employer's pension funds as a whole.

### 9.2. Waiver of use of the ECR by the employer

The EFG ECR of the CPR as at 31.12.2023 amounts to CHF 50.993 mln. See note 5.9 for details on its creation, remuneration and possible use.

As at 31.12.2023, EFG has not waived the use of this reserve.

### 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 Fondazione 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 Fondazione must have been in force for at least two years.

Even though the number of active employees declined further in 2023 (see footnote 1.6), for the two-year period 2022-2023, the condition in a) is not fulfilled; on the contrary, the number of new entrants during the period (+67) is significantly higher than the number of involuntary departures (-19). Conditions b) and c) also do not apply since there has been neither abandonment of entire sectors nor termination of affiliation contracts.

The examination will be repeated the two-year period 2023-2024.

### 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

As at 31.12.2023 there were no active legal proceedings charged to the Fondazione.

### 9.8. Special business and asset transactions

Not applicable.

## 10. Events after the balance sheet date

Not applicable.

## 11. Report of the statutory auditor on the Financial Statement 2023

# Traslation of the report of the statutory auditor

to the Foundation Board of Fondazione di Previdenza EFG SA

Lugano

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Fondazione di Previdenza EFG SA (the Pension Fund), which comprise the balance sheet as at 31 December 2023, and the operating account for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 9 to 43) comply with Swiss law, the Pension Fund's deed and the internal regulations.

#### Other matter

The financial statements of Fondazione di Previdenza EFG SA for the year ended 31 December 2022 were audited by another firm of auditors who performed an ordinary audit and whose report, dated 20 April 2023, expressed an unmodified opinion on those statements.

#### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Pension Fund in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other information

The Foundation Board is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### Foundation Board's responsibilities for the financial statements

The Foundation Board is responsible for the preparation of financial statements in accordance with the provisions of Swiss law, the Pension Fund's deed and the internal regulations, and for such internal control as the Foundation Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Responsibility of the expert in occupational benefits for the audit of the financial statements

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 para. 1 of the Occupational Pensions Act (OPA) and article 48 of the Occupational Pensions Ordinance 2 (OPO 2).

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Pension Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, other than pension liabilities and actuarial reserves evaluated by the expert in occupational benefits.

We communicate with the Foundation Board or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Report on other legal and regulatory requirements

The Foundation Board is responsible for ensuring that the legal requirements are met and that the statutory and regulatory provisions on organisation, management and investments are applied. We have carried out the required audits in accordance with article 52c para. 1 OPA and article 35 OPO 2.

We have assessed whether

- organisation and management comply with the legal and regulatory requirements and whether internal controls exist that are appropriate to the size and complexity of the foundation;
- funds are invested in accordance with legal and regulatory requirements;
- the occupational pension accounts comply with legal 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 fulfil 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 and regulatory requirements have been met.

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

PricewaterhouseCoopers SA



Roberto Caccia  
Licensed audit expert  
Auditor in charge



Simone Reina  
Licensed audit expert

Lugano, 29 April 2024





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