

Annual report 2020

Vita Collective Foundation

Vita Collective Foundation

Key figures for 2019 2020

Pensioners¹⁾

4,010
5,013

Active members

141,385
138,654

Return on asset investments

8.66%
5.55%

Affiliated employers

22,583
22,927

Assets in CHF million

16,247
17,173

Maximum interest earned on
mandatory savings capital

2.40% **1.50%**

Maximum interest earned on
super-mandatory savings capital

2.65% **1.50%**

1) Pensioners on own balance sheet

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“Intergenerational fairness in the occupational pension plans plays an important role for Vita Collective Foundation”



Peter E. Naegeli, President of the Foundation Board, Michael Christen, President of the Investment Committee (since September 29, 2020) and Dr. Werner Wüthrich, Managing Director of Vita Collective Foundation, discuss the 2020 financial year.

How did Vita Collective Foundation experience the turbulent investment year of 2020?

Michael Christen: In the turbulent stock exchange year of 2020, Vita Collective Foundation posted an investment performance of 5.55%, which is well above the market average. Our broadly diversified investment strategy focusing on long-term stability paid off. After a sharp but short-lived contraction in March, the stock markets recovered continuously. We benefited from the market recovery by consistently and regularly regrouping the investments.

Werner Wüthrich: The positive market development throughout the year – and especially in the months of November and December – enabled us to make up for the loss in coverage ratio suffered at the beginning of the coronavirus crisis. At the end of the year, the coverage ratio was 107.9%. We were therefore able to build up more value fluctuation reserves. With total assets of more than 17 billion francs, Vita Collective Foundation is one of the largest pension funds in Switzerland. In 2020, our assets increased by 6.2%, and the number of affiliated companies

rose by 1.5% to 22,927. The number of insured persons decreased slightly, due in particular to workforce reduction by the affiliated companies. The number of pensioners rose again last year, but our pensioner ratio of 14% is still very good compared to the market.

Peter E. Naegeli: At 5.55%, our investment performance is absolutely top in comparison to other pension funds in Switzerland. The capital market thus made a good contribution to growing the retirement assets last year. We must not forget, however, that the retirement assets must be built up in large part by the savings contributions of employers and employees.

Vita Collective Foundation optimized its pension model in 2020. Why?

Werner Wüthrich: We aligned our tried-and-trusted Vita Classic pension model to the current framework conditions, thus making it more fit for the future. It was important to us that all affiliations and insured persons can continue to share directly in the investment income. As always, the additional interest depends on the coverage ratio and is determined in advance for the following year. In future, however, our customers will already enjoy additional interest from a coverage ratio of 102%.

Peter E. Naegeli: The new pension model is even more simple and transparent. All affiliations par-

ticipate directly and continually in the investment income. Their share of the maximum additional interest depends on how long the company has been affiliated with the Collective Foundation. After five or more years of affiliation, the full share is distributed. The higher value fluctuation reserve of 12% also has a positive effect on the Foundation's security and stability.

Redistribution in the second pillar is affecting all pension funds. How does Vita Collective Foundation approach this topic?

Peter E. Naegeli: Intergenerational fairness in the occupational pension plans plays an important role for Vita Collective Foundation when it comes to the design of its pension solutions. The fully-funded system applied in the second pillar provides that every insured person saves for the own retirement. To the extent possible to us, we take specific measures to combat redistribution.

Werner Wüthrich: The long-term financial security of the Foundation and the realization of a good return on the invested capital take center stage. This should be of equal benefit to the active insured persons and the pensioners. Correct technical parameters are important here: We reduced the technical interest rate to 1.5% from December 31, 2020. Our calculations are based on the BVG 2020 Generation Tables. We will also adjust the all-inclusive conversion

rate again. The Foundation Board has decided to reduce the conversion rate further to 5.7% from January 1, 2023. We also keep a close eye on our portfolio composition: Our pensioner ratio of 14% is attractive in a market comparison. These measures allow us to act in the best interests of all generations and to minimize redistribution. Nevertheless, a BVG revision is urgently needed to stop redistribution, and Vita Collective Foundation is actively campaigning for this.

2020 was an innovative year: Vita Collective Foundation also adjusted its investment strategy – what has changed?

Michael Christen: The adjusted Vita Classic pension model allows us to accept slightly higher investment risks. We therefore developed the investment strategy further. The related changes to the portfolio build on one another and have been implemented progressively since January 2021. The focus is on further improving the balance of risk and expected return. Our proven mechanism for hedging setbacks on the equity markets remains in place, but in a reduced form. We are increasing the stability of our portfolio by stocking up on Swiss bonds. Non-liquid investments such as Swiss real estate and infrastructure investments are also attractive in the current low interest rate environment. They also match the long-term investment horizon for retirement savings.

Vita Collective Foundation on the way to more intergenerational fairness



Application of correct **technical parameters**



Balanced portfolio composition



Continuous adjustment of **conversion rate**



Flanking **measures**, Vita Classic pension model

What has Vita Collective Foundation done regarding sustainability?

Michael Christen: At the end of 2020, Vita Collective Foundation signed the UN Principles for Responsible Investment (UN PRI) and became a member of Swiss Sustainable Finance (SSF). We have adopted a holistic and comprehensive sustainability approach: As an active and responsible investor, we take account of ESG criteria (info box) while at the same time focusing on our benefits promises. In specific terms, we engage in an active sustainability dialog with our asset managers and make sure that they apply the ESG criteria to the investment process. All our asset managers are UN PRI certified and observe the principles for responsible investment.

Werner Wüthrich: For our real estate investments, our objective is to reduce CO₂ emissions constantly and sustainably. We have reduced CO₂ emissions by 24% since 2010. We also managed to reduce energy consumption by some 18% between 2010 and 2017. In 2021, Vita Collective Foundation will engage intensively with its climate policy and formulate new objectives.

Peter E. Naegeli: By investing in retirement and multi-generational homes from a very early stage, Vita Collective Foundation also supports socially relevant topics beyond its core business of occupational pensions. Focusing on results, we work with Swiss municipalities and local partners to promote the development and design of future living environments. We expanded our investment portfolio with two new residential

projects in Wetzikon and St. Gallen in 2020. A third one in Winterthur was added at the beginning of 2021. In total, there are now five projects with a total investment volume of some 200 million francs.

2021 is election year for the new Foundation Board. What has changed?

Werner Wüthrich: The Foundation Board decided to reduce the number of Board members from twelve to eight. The new maximum term of office will also ensure that new members are elected regularly. In keeping with the times, the 2021 Foundation Board elections were held digitally, and the new composition of the Foundation Board can be found on our website vita.ch.

Peter E. Naegeli: In 2004, the former CEO of Zurich Switzerland, Hans-Jürg Bernet, encouraged me to stand as a candidate for the Foundation Board of the new Vita Collective Foundation established by Zurich. From this time, I was President of the Foundation Board, which took its role very seriously from the outset: To consistently represent the interests of the beneficiaries (active insured persons and pensioners) and to achieve the Foundation's objective for occupational pensions, i. e. to secure a sufficient pension from the end of working life. In a committed partnership with Zurich, Vita Collective Foundation has done pioneering work in the development of the semi-autonomous model. To this day, this model is often copied, which proves its strength and current relevance. But as many challenges remain for the occupational pensions plans, the new Foun-



Sustainability and ESG

The **United Nations Principles for Responsible Investment (UN PRI)** is an initiative supported by the United Nations. It is an international investor network which has formulated and intends to implement six principles for responsible investment. The objective is to bring about an improved understanding of the impact of investments on environmental, social, and corporate governance topics. By now, more than 3,000 members from 50 countries have joined the initiative.

The **ESG criteria** set out sustainability standards for investments and companies. Vita Collective Foundation regularly checks compliance with these standards in the areas of Environment, Social Justice and Corporate Governance against the ratings given by sustainability agencies and introduces changes whenever necessary.



ation Board will have a lot to do. I wish all of them much success and would like to thank everybody for the confidence placed in me and the great working relationship we have enjoyed during my time as President of the Foundation Board.

Werner Wüthrich: On behalf of Vita Collective Foundation, I would like to warmly thank Peter for his many years of commitment and valuable work on the Foundation Board. We wish him all the best for the future and hope that he will retain close links to the occupational pensions business.



Balance sheet and operating statement

Balance sheet

Assets

| in CHF | Notes | 12 / 31 / 2020 | 12 / 31 / 2019 |
|--------------------------------------------------------|------------|-----------------------|-----------------------|
| Investments | | 17,166,620,427 | 16,233,323,824 |
| Cash and cash equivalents and money market investments | 6.4 | 250,399,113 | 274,767,226 |
| Investments with the employer | 6.10 | 136,783,660 | 150,200,140 |
| Other receivables | 7.1 | 92,747,433 | 79,621,240 |
| Bonds | 6.4 | 5,382,105,590 | 5,235,180,090 |
| Equities | 6.4 | 5,319,184,389 | 4,694,293,840 |
| Real estate | 6.4 | 2,385,534,354 | 2,184,882,021 |
| Alternative investments | 6.4 | 2,136,436,679 | 2,320,575,271 |
| Infrastructure | 6.4 | 255,155,878 | 271,902,363 |
| Mortgages | 6.4 | 1,236,405,283 | 1,039,136,573 |
| Investments in affiliates | 6.4 | 100,000 | 100,000 |
| Foreign currency hedging | 6.6.1 | 68,326,735 | 23,942,899 |
| Hedging from derivatives transactions | 6.6 | -96,558,686 | -41,277,840 |
| Accrued income and deferred expenses | 7.2 | 6,484,869 | 13,830,734 |
| Total assets | | 17,173,105,296 | 16,247,154,558 |

Liabilities

| in CHF | Notes | 12 / 31 / 2020 | 12 / 31 / 2019 |
|-------------------------------------------------|-------------|-----------------------|-----------------------|
| Liabilities | | 466,072,863 | 468,844,069 |
| Vested benefits and pensions | 7.3 | 215,643,242 | 205,472,714 |
| Other liabilities | 7.3 | 250,429,621 | 263,371,355 |
| Accrued expenses and deferred income | 7.4 | 1,443,633 | 1,504,962 |
| Employers' contribution reserves | 6.10 | 149,997,177 | 153,779,048 |
| Pension capital and technical provisions | | 15,282,830,547 | 14,903,933,702 |
| Pension capital of active insured | 5.3 | 12,331,312,763 | 12,312,827,975 |
| Pension capital of pensioners | 5.4 | 2,156,997,174 | 1,772,221,252 |
| Technical provisions | 5.5 | 794,520,610 | 818,884,475 |
| Value fluctuation reserve | 6.3 | 916,969,833 | 645,644,400 |
| Uncommitted funds of pension schemes | 7.7 | 62,604,559 | 73,398,377 |
| Uncommitted funds of the Foundation | | 293,136,684 | 0 |
| At beginning of period | | 0 | 0 |
| Expense surplus (-)/income surplus (+) | | 293,136,684 | 0 |
| Endowment capital | | 50,000 | 50,000 |
| Total liabilities | | 17,173,105,296 | 16,247,154,558 |

Operating statement

| in CHF | Notes | 01/01–12/31/2020 | 01/01–12/31/2019 |
|--------------------------------------------------------------------------------------------------------|-------|-----------------------|-----------------------|
| Regular and other contributions and purchases | | 1,248,213,780 | 1,257,959,306 |
| Contributions by employees | | 499,647,765 | 504,040,927 |
| Contributions by employers | | 609,465,545 | 607,645,710 |
| Withdrawal from employers' contribution reserves to finance contributions | 6.10 | –28,496,991 | –16,452,292 |
| Withdrawal from uncommitted funds of pension schemes | 7.7 | –14,608,200 | –16,335,119 |
| Single contributions and purchase amounts | 5.3 | 150,823,986 | 146,914,263 |
| Capital contributions to employers' contribution reserves | 6.10 | 31,381,676 | 32,145,817 |
| Benefits brought into scheme | | 1,315,180,613 | 2,063,095,064 |
| Vested benefits | 5.3 | 1,264,132,060 | 1,993,030,127 |
| Deposits upon takeover of portfolios of insured to | | | |
| Value fluctuation reserve | | 794,973 | 9,720,493 |
| Uncommitted funds of pension schemes | | 11,391,951 | 20,443,247 |
| Actuarial reserves of pensioners | | 994,334 | 6,481,405 |
| Incoming advance withdrawals for home ownership promotion / divorce | 5.3 | 37,867,295 | 33,419,792 |
| Incoming contributions and benefits brought into scheme | | 2,563,394,393 | 3,321,054,370 |
| Regulatory benefits | | –585,468,850 | –537,178,659 |
| Retirement pensions | | –208,113,932 | –185,114,667 |
| Survivors' pensions | | –17,833,137 | –16,607,709 |
| Disability pensions | | –47,290,105 | –43,934,848 |
| Lump-sum payments on retirement | 5.3 | –246,779,053 | –239,021,449 |
| Lump-sum payments on death and disability | | –65,452,622 | –52,499,986 |
| Departure payments | | –1,908,651,447 | –1,433,093,811 |
| Vested benefits paid to departing insured | 5.3 | –1,828,076,054 | –1,360,423,118 |
| Transfer of additional funds upon collective withdrawal | | –14,241,619 | –10,675,701 |
| Advance withdrawals for home ownership promotion / divorce | 5.3 | –57,267,415 | –60,037,493 |
| Actuarial reserves for disability pensions on contract termination | | –9,066,360 | –1,957,499 |
| Outgoing benefits and advance withdrawals | | –2,494,120,297 | –1,970,272,470 |
| Reversal (+) / formation (–) of pension capital, technical provisions and contribution reserves | | –364,321,156 | –1,904,537,123 |
| Reversal (+) / formation (–) of pension capital of active insured | 5.3 | 142,223,639 | –1,047,632,197 |
| Reversal (+) / formation (–) of pension capital of pensioners | 5.4 | –384,775,922 | –490,303,516 |
| Reversal (+) / formation (–) of technical provisions | 5.5 | 24,363,865 | –104,173,154 |
| Uncommitted funds of pension schemes | 7.7 | 10,793,818 | 1,999,634 |
| Interest on savings capital | 5.3 | –160,708,427 | –253,294,466 |
| Reversal (+) / formation (–) of contribution reserves | 6.10 | 3,781,871 | –11,133,423 |
| Brought forward | | –295,047,060 | –553,755,222 |

| in CHF | Notes | 01/01–12/31/2020 | 01/01–12/31/2019 |
|----------------------------------------------------------------------------------------------|-------|---------------------|----------------------|
| Brought forward | | –295,047,060 | –553,755,222 |
| Income from insurance benefits | | 284,316,401 | 260,307,174 |
| Insurance benefits | | 270,002,489 | 246,511,842 |
| Profit shares from insurance policies | | 14,313,913 | 13,795,332 |
| Insurance costs | | –249,268,665 | –248,459,890 |
| Insurance premiums | | | |
| Risk premiums | | –141,683,043 | –148,913,709 |
| Cost premiums | | –69,223,730 | –72,029,356 |
| Security Fund contributions | | –6,484,172 | –6,580,868 |
| Single contributions to insurance companies | | –31,877,720 | –20,935,958 |
| Net result from insurance activities | | –259,999,323 | –541,907,938 |
| Net result from investments | | 829,438,142 | 1,194,513,518 |
| Income from cash and cash equivalents and money market investments | 6.8 | –2,645,992 | –889,573 |
| Income from investments with the employer | 6.8 | 2,066,826 | 3,248,426 |
| Interest on vested benefits | 6.8 | –5,109,281 | –4,283,665 |
| Interest on uncommitted funds of pension schemes | 7.7 | 0 | –342,753 |
| Interest on employers' contribution reserves | 6.10 | 0 | –696,241 |
| Income from bonds | 6.8 | 178,266,929 | 258,066,967 |
| Income from equities | 6.8 | 480,628,499 | 951,885,891 |
| Income from real estate | 6.8 | 46,597,207 | 204,337,729 |
| Income from alternative investments | 6.8 | –28,507,888 | –148,128,022 |
| Income from infrastructure | 6.8 | 7,911,759 | 22,725,956 |
| Income from mortgages | 6.8 | 15,188,882 | 14,255,027 |
| Income from currency hedging | 6.8 | 233,198,187 | –9,836,464 |
| Asset management costs | 6.8 | –98,156,987 | –95,829,759 |
| Other income | | 2,501,191 | 4,157,503 |
| Income from services rendered | 7.5 | 1,216,049 | 1,574,468 |
| Other income | 7.5 | 1,285,141 | 2,583,035 |
| Other expenses | 7.6 | –228,441 | –3,371,025 |
| Administrative costs | | –7,249,450 | –7,747,658 |
| General administration | | –6,061,379 | –6,467,838 |
| Marketing and advertising | | –822,860 | –879,875 |
| Auditors and pension actuary | | –235,745 | –267,492 |
| Supervisory authority | | –129,467 | –132,452 |
| Income / expenditure surplus before formation / reversal of value fluctuation reserve | | 564,462,117 | 645,644,400 |
| Formation of value fluctuation reserve | | –271,325,433 | –645,644,400 |
| Income surplus (+) / expense surplus (–) | | 293,136,684 | 0 |

Notes

1 Principles and organization

| | |
|-------------------------------------------------------------|---------------------------|
| First entry in Commercial Register / no. CH-020.7.001.096-8 | September 17, 2003 |
| Funding method | Defined contribution plan |

1.1 Legal form and purpose

Vita Collective Foundation is a foundation pursuant to Art. 80 et seq. of the Swiss Civil Code.

The purpose of the Foundation is to provide mandatory occupational pension plans for employees and employers as well as their surviving dependents against the consequences of old age, disability and death. Occupational pension plans are provided in accordance with the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) of June 25, 1982, and its implementing ordinances. The Foundation can also provide occupational benefits coverage that exceeds the statutory minimum benefits, including assistance to alleviate the hardship caused by illness, accident, disability or unemployment.

1.2 BVG registration and Security Fund

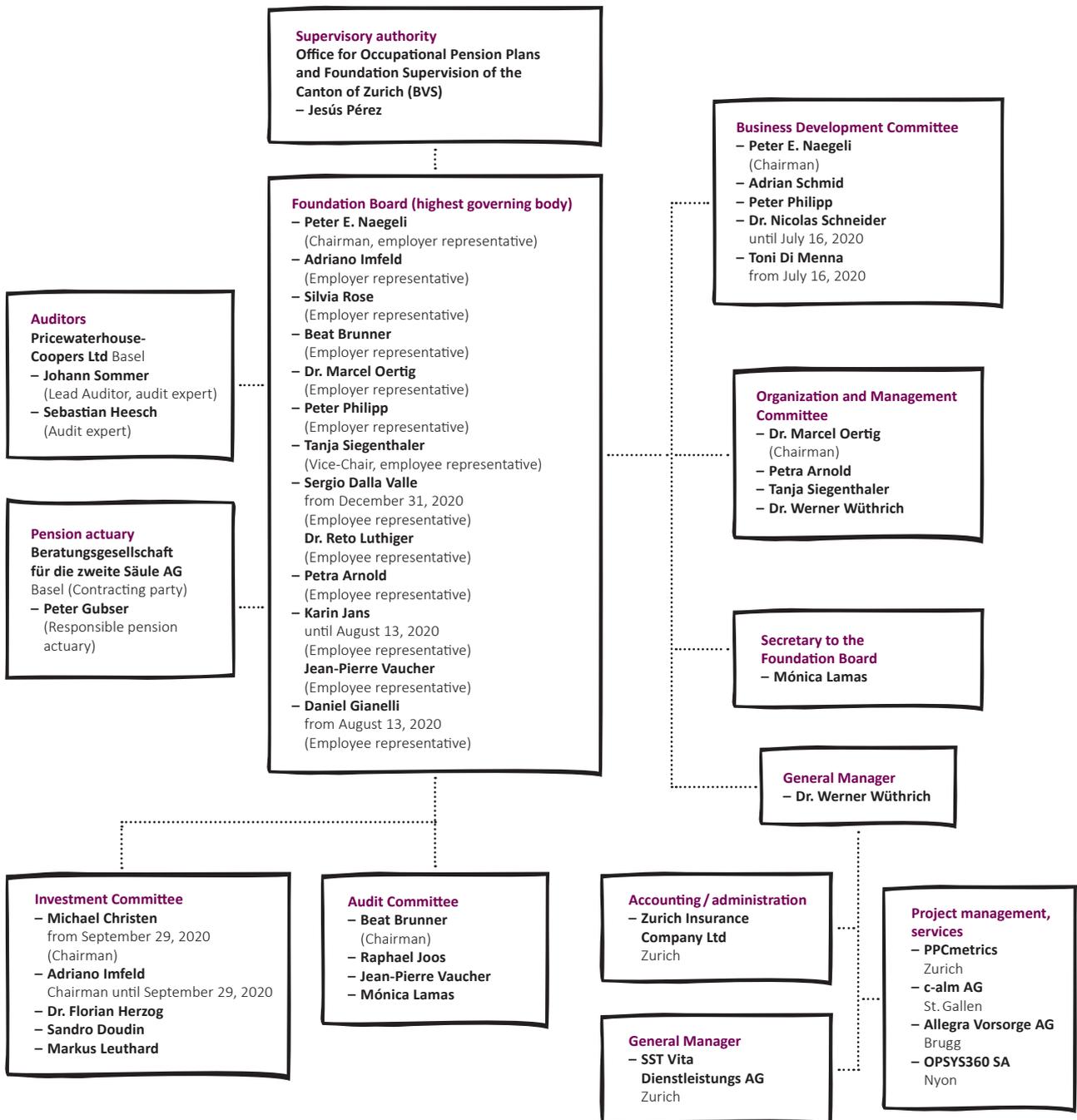
Vita Collective Foundation is registered (registration number ZH 1446) in accordance with the provisions of the BVG and affiliated with the Security Fund.

1.3 Deeds and regulations

Vita Collective Foundation has the legal form of a foundation and was established by public deed of June 13, 2003. The current deed, dated November 15, 2017, has been in force since December 14, 2017.

| Valid regulations as at 12/31/2020 | Date of resolution | Entry into force | Version |
|-----------------------------------------------------------------|--------------------|-------------------|-------------|
| Rules of organization | June 12, 2017 | July 1, 2017 | 1/2017 |
| Regulations on Foundation Board elections | November 14, 2018 | November 1, 2018 | 1/2019 |
| Pension regulations, basic | November 14, 2019 | January 1, 2020 | 1/2020 |
| Investment regulations | March 12, 2018 | January 1, 2018 | 1/2018 |
| Regulations on the formation of provisions | March 9, 2021 | December 31, 2020 | 1/2020/2021 |
| Regulations on partial liquidation | September 11, 2014 | January 20, 2015 | 1/2014 |
| Pension regulations, association | November 14, 2019 | January 1, 2020 | 1/2020 |
| Regulations on partial liquidation, association | September 8, 2015 | September 8, 2015 | 1/2015 |
| Rules of organization and regulations on elections, association | September 8, 2015 | January 1, 2016 | 1/2016 |

1.4 Highest governing and executive bodies, management and signatory powers



1.4.1 Foundation Board Committees

The rules of organization make provision for the following standing committees:

- a) Organization and Management Committee
- b) Audit Committee
- c) Business Development Committee
- d) Investment Committee

1.4.2 Signatory powers

The Organization and Management Committee appoints the persons who are authorized to sign on behalf of the Foundation. The members of the Foundation Board and the other authorized signatories are authorized to sign jointly with a minimum of two signatures.

1.5 Governance

1.5.1 Risk management, loyalty, transparency and control system

Governance of a collective foundation serves as a statutory and de facto regulatory framework. It has to ensure that the foundation is correctly managed and controlled by clearly allocating tasks, powers, responsibility and control to the legal and governing bodies. The aim is to meet the needs of the diverse stakeholder groups within the multi-level structures of a collective foundation.

Governance, risk management and compliance should contribute equally to securing the consistent management and security of the collective foundation.

1.5.2 Risk management

Just like a company, a collective foundation is exposed to a diversity of risks. Vita Collective Foundation therefore introduced a holistic risk management system in 2017. The relevant risks are identified, analyzed and assessed. Causes are investigated and measures and controls are identified. A multi-level annual process is applied to monitor the risks. The risk management system is constantly adjusted to change.

1.5.3 Internal control system (ICS)

The ICS is concerned with operational risks and forms part of the risk management system of Vita Collective Foundation. Operating performance can jeopardize the achievement of defined business and process objectives. The material processes are recorded systematically and in detail so that they can be monitored logically with suitable controls.

1.6 Affiliated employers

| | 2020 | 2019 |
|-------------|--------|--------|
| As at 01/01 | 22,583 | 21,828 |
| Additions | 2,458 | 2,541 |
| Departures | -2,114 | -1,786 |
| As at 12/31 | 22,927 | 22,583 |

+344  IN 2020

2 Active insured and pensioners

2.1 As at 12/31

| | 12 / 31 / 2020 | | 12 / 31 / 2019 | |
|---------------------------------------|----------------|----------------------------|----------------|----------------------------|
| Total number of active members | 138,654 | | 141,385 | |
| Active insured | 133,507 | | 136,404 | |
| Occupationally disabled insured | 5,147 | | 4,981 | |
| Total number of pensioners | 15,824 | 5,013 ¹⁾ | 14,802 | 4,010 ¹⁾ |
| Retirement pensions | 10,781 | 4,728 | 9,992 | 3,765 |
| Retired persons' children's pensions | 212 | 175 | 195 | 149 |
| Spouses' pensions | 1,365 | 106 | 1,263 | 92 |
| Orphans' pensions | 324 | 4 | 290 | 4 |
| Disability pensions | 2,535 | 0 | 2,507 | 0 |
| Disabled persons' children's pensions | 607 | 0 | 555 | 0 |

1) of which pensioners included in the Foundation's balance sheet (from January 1, 2016)

2.2 Portfolio development

| Active insured | 2020 | 2019 |
|-----------------------|----------------|----------------|
| As at 01 / 01 | 136,404 | 124,871 |
| Entries | 31,768 | 40,555 |
| Retirements | -1,840 | -1,860 |
| Deaths | -185 | -161 |
| Departures/exits | -32,640 | -27,001 |
| As at 12 / 31 | 133,507 | 136,404 |

| | Retirement pensions | Retired persons' children's pensions | Spouses' pensions | Orphans' pensions | Disability pensions | Disabled persons' children's pensions |
|---------------------------------|----------------------------|---------------------------------------------|--------------------------|--------------------------|----------------------------|----------------------------------------------|
| As at 01 / 01 / 2019 | 9,035 | 167 | 1,176 | 396 | 2,346 | 448 |
| New pensions from own portfolio | 1,111 | 86 | 105 | 19 | 309 | 110 |
| Pensions from takeovers | 16 | 1 | 32 | 4 | 33 | 3 |
| Deaths | -144 | -1 | -46 | -5 | -29 | -6 |
| Departures/exits | -26 | -58 | -4 | -124 | -152 | 0 |
| As at 12 / 31 / 2019 | 9,992 | 195 | 1,263 | 290 | 2,507 | 555 |
| As at 01 / 01 / 2020 | 9,992 | 195 | 1,263 | 290 | 2,507 | 555 |
| New pensions from own portfolio | 1,013 | 85 | 139 | 57 | 364 | 99 |
| Pensions from takeovers | 1 | 0 | 27 | 4 | 2 | 0 |
| Deaths | -215 | -6 | -49 | -3 | -54 | -13 |
| Departures/exits | -10 | -62 | -15 | -24 | -284 | -34 |
| As at 12 / 31 / 2020 | 10,781 | 212 | 1,365 | 324 | 2,535 | 607 |

3 Achievement of purpose

3.1 Description of pension plans

The purpose of the Foundation is fulfilled in that employers willing to affiliate with the Foundation join the Foundation under affiliation contracts. With the affiliation contract, a pension fund is established.

The administration committee approves the pension regulations enacted by the Foundation Board. The administration committee also adopts a pension plan that sets out the type and scope

of the occupational benefits, the contributions of the insured and the employer, and the provisions specific to the pension fund. The administration committee enacts the pension regulations and pension plan.

3.2 Financing

Contributions are financed by the employers and the employees. The employers' contribution amounts to at least 50%.

4 Valuation and accounting principles, consistency

4.1 Confirmation of conformity of the accounts with Swiss GAAP FER 26

Accounting, reporting and valuation practices comply with the provisions of the Swiss Code of Obligations (OR) and the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG). The annual financial statements comprising the balance sheet, operating statement and notes portray the actual financial position of the Foundation as defined in the occupational benefits legislation and comply with the provisions of Swiss GAAP FER 26.

4.2 Accounting and valuation principles

The accounting and valuation principles follow the provisions of Art. 47, 48 and 48a of the Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans (BVV 2). The standards of Swiss GAAP FER 26 ("true and fair view") apply in all other respects. The following valuation principles are applied:

Securities and derivative financial instruments

Securities (collective investments in bonds, equities, real estate and alternative investments) and derivative financial instruments are measured at market value.

Foreign currency translation

Assets and liabilities in foreign currency are measured at year-end rates. Any translation differences are recognized in the income statement.

Mortgages and investments in affiliates

Mortgages (direct investments – mortgages) and investments in affiliates are recognized at nominal value, less any impairment.

Pension capital and technical provisions

Pension capital and technical provisions are calculated by the pension actuary every year in accordance with accepted principles.

Other assets and liabilities

Other assets and liabilities are recognized in the balance sheet at nominal value.

All amounts in Swiss francs are rounded to the nearest franc in the annual financial statements and the notes. This may lead to small rounding differences.

4.3 Changes to valuation, bookkeeping and accounting principles

The presentation of the balance sheet and operating statement changed compared to the previous year. The following prior-year figures were adjusted accordingly:

- The allocation of employer and employee contributions is given in the operating statement.
- In accordance with the amended statutory provisions (BVV 2), investments in infrastructure are reported separately.

5 Actuarial risks / risk coverage / coverage ratio

5.1 Type of risk coverage / reinsurance

The Foundation took out a group life insurance agreement with Zurich Life Insurance Company Ltd (Zurich Life) to cover the actuarial risks of death and disability. The Foundation is the policyholder and beneficiary. The Foundation bears the investment risk, and since January 1, 2016, it has also borne the risk of longevity.

The administrative costs incurred directly by the Foundation are included in the “Administrative costs” line item in the operating statement.

All other costs incurred by the Foundation are borne by Zurich Life and are covered by the cost premium. To fund this premium, the Foundation levies a cost contribution on all affiliated pension schemes.

The following table prepared by Zurich Life provides a breakdown of the cost premium:

| in CHF 1,000 | 2020 | 2019 |
|----------------------------------|---------------|---------------|
| Breakdown of cost premium | 69,224 | 72,029 |
| General administration | 50,318 | 52,781 |
| Marketing and advertising | 774 | 1,020 |
| Brokers and agents | 18,132 | 18,228 |

The costs for brokers and agents also include commission paid to Zurich's own sales force.

Together with the costs incurred directly by the Foundation (see operating statement), the total administrative costs are as follows (rounded):

| in CHF 1,000 | 2020 | 2019 |
|------------------------------------------|---------------|---------------|
| Breakdown of administrative costs | 76,473 | 79,777 |
| General administration | 56,379 | 59,249 |
| Marketing and advertising | 1,597 | 1,900 |
| Brokers and agents | 18,132 | 18,228 |
| Auditors and pension actuary | 236 | 267 |
| Supervisory authority | 129 | 132 |

The asset management costs are reported in the operating statement and in note 6.9.

Surplus participation

According to Art. 68a section 2 para. 1 (a) BVG, profit shares from insurance contracts have to be credited to the savings assets of the insured. Deviation from this principle is only possible if the pension commission of the affiliated pension fund passes a corresponding resolution. The decision on the use of the profit shares has thus been delegated to the Foundation Board.

A partially autonomous collective foundation can only generate profit shares if the risk experience is positive. Art. 1.3 of the pension regulations of Vita Collective Foundation states that profit shares generated under the group life insurance agreement must be used in accordance with the decision of the Foundation Board.

The Foundation Board has decided: As there is no separate account for every individual pension fund, the profit shares are not allocated in accordance with a specific allocation key, but are credited as income to the operating account.

5.2 Assets and liabilities under insurance agreements

The Foundation's pension obligations can be divided into two categories:

- Liabilities for retirement, spouses', orphans' and retired persons' children's pensions that are recognized in the Foundation's balance sheet from January 1, 2016 (see 5.4.)
- Pensioner obligations, reinsured by Zurich Life Insurance Company Ltd; the relevant actuarial reserves are not shown in the Foundation's balance sheet

The actuarial reserves for the pension obligations under the group life insurance agreement with Zurich Life Insurance Company Ltd amount to:

| in CHF | 12/31/2020 | 12/31/2019 |
|------------------------------------------|----------------------|----------------------|
| Actuarial reserves for pensioners | 2,159,659,756 | 2,201,565,611 |
| Retirement pensions | 1,365,221,058 | 1,438,782,175 |
| Retired persons' children's pensions | 698,175 | 1,021,268 |
| Spouses' pensions | 246,087,627 | 226,420,997 |
| Orphans' pensions | 8,977,837 | 7,261,101 |
| Disability pensions | 285,688,337 | 280,640,959 |
| Disabled persons' children's pensions | 10,739,067 | 10,468,433 |
| Premium waivers | 242,247,655 | 236,970,678 |

5.3 Trend and interest on savings capital in the defined contribution scheme

| in CHF | 2020 | 2019 |
|-------------------------------------------------------------------------|-----------------------|-----------------------|
| Interest on mandatory savings capital | 1.00% | 1.00% |
| Interest on super-mandatory savings capital | 1.00%–1.50% | 1.25%–2.65% |
| Pension capital of active insured as at 01/01 | 12,312,827,975 | 11,011,901,313 |
| Formation (+)/ reversal (–) of pension capital of active insured | –142,223,639 | 1,047,632,197 |
| Savings contributions | 899,756,798 | 894,766,783 |
| IV savings contributions | 28,961,680 | 25,739,034 |
| Single contributions and purchase amounts | 150,823,986 | 146,914,263 |
| Vested benefits | 986,209,301 | 1,661,875,782 |
| Vested benefits (takeover of portfolios) | 277,922,759 | 331,154,345 |
| Vested benefits paid to departing insured | –1,828,076,054 | –1,360,423,118 |
| of which difference pursuant to FZG Art. 17 ¹⁾ | 161,230 | 24,870 |
| Advance withdrawals for home ownership promotion / divorce | –57,267,415 | –60,037,493 |
| Incoming advance withdrawals for home ownership promotion / divorce | 37,867,295 | 33,419,792 |
| Lump-sum payments on retirement | –246,779,053 | –239,021,449 |
| Single contributions to insurance companies | –31,877,720 | –20,935,958 |
| of which pension purchase difference ¹⁾ | 51,910 | 0 |
| Transfer to pension capital of pensioners | –338,221,802 | –365,844,656 |
| Correction pension capital of active insured ²⁾ | –21,756,554 | 0 |
| Interest on savings capital | 160,708,427 | 253,294,466 |
| Pension capital of active insured as at 12/31 | 12,331,312,763 | 12,312,827,975 |
| of which BVG retirement assets | 6,668,747,473 | 6,725,312,146 |

1) Expenses and income charged to profit and loss that are not included in the operating statement in the item "Reversal of pension capital of active insured."

2) The migration of the portfolio of insured to the new management system led to a correction to the reported pension capital for active insured; the claims of the individual insured are not affected.

5.4 Development of actuarial reserves for pensioners in the Foundation's balance sheet

| in CHF | 2020 | 2019 |
|-------------------------------------------------------------------|---------------|---------------|
| Actuarial reserves for pensioners as at 01 / 01 | 1,772,221,252 | 1,281,917,736 |
| Formation (+) / reversal (-) of actuarial reserves for pensioners | 384,775,922 | 490,303,516 |
| Pension benefits | -106,964,107 | -81,376,478 |
| Lump-sum payments on death | -338,952 | -454,046 |
| Transfer from pension capital of active insured | 338,221,802 | 365,844,656 |
| Pension purchases | 994,334 | 6,481,405 |
| Adjustment to pension actuary's calculation | 152,862,846 | 199,807,979 |
| Actuarial reserves for pensioners as at 12 / 31 | 2,156,997,174 | 1,772,221,252 |

Since January 1, 2016, retirement pensions and the related survivors' pensions and retired persons' children's pensions are no longer purchased from Zurich Life Insurance Company Ltd. The actuarial reserves for pensioners included in the own balance sheet amounts to CHF 2,157 million. The pension capital is calculated on the basis of the BVG 2020 Generation Tables and a technical interest rate of 1.50% (sections 5.7 and 5.8). The Foundation Board decided not to increase pensions in 2020.

5.5 Composition, changes to and notes on technical provisions

| in CHF | 2020 | 2019 |
|------------------------------------------------------|-------------|--------------|
| Technical provisions as at 01 / 01 | 818,884,475 | 714,711,320 |
| Formation (+) / reversal (-) of technical provisions | -24,363,865 | 104,173,154 |
| Contributions to provision for retirement losses | 23,360,123 | 225,930,426 |
| Withdrawals from interest reserves | -47,723,988 | -121,757,272 |
| Technical provisions as at 12 / 31 | 794,520,610 | 818,884,475 |
| of which provisions for retirement losses | 716,599,738 | 693,239,615 |
| of which interest reserves | 77,920,872 | 125,644,860 |

The basis used for the calculation of the required technical provisions was audited by the pension actuary and documented in the regulations on the formation of provisions approved by the Foundation Board.

Provision for conversion rate adjustments (retirement losses)

As the regulatory conversion rates are higher than the conversion rates in the Foundation's actuarial tables, the Foundation suffers retirement losses. These losses are covered as follows by the provision for conversion rate adjustments:

- All active insured and all disabled insured from the age of 58 are taken into account.
- The amount of the provision equals the difference between the retirement assets extrapolated to the regular retirement age and the actuarial reserves needed to cover the regulatory retirement benefits, taking account of any lump-sum withdrawals of benefits. The resulting amount is discounted with the technical interest rate on the reference date for the calculation.
- To calculate the share of lump-sum withdrawals, the management's assumption based on statistics is applied that 40% of retirement benefits are drawn as lump-sum payments.

Provision for formation of interest reserves

The annual interest reserves are used to pay additional interest on the retirement assets of all active insured of the eligible pension schemes. The annual interest reserve is raised on October 31 from the earnings that exceed the value fluctuation reserve of 6%.

Until the full target fluctuation reserve of 6% has been accrued, the staggered interest model only makes provision for payment of the minimum interest rate of 1.0% on the mandatory as well as the super-mandatory assets. The interest reserve model only leads to an improvement in benefits after the target value fluctuation reserve of 6% has been accrued in full. Art. 46 BVV 2 has thus been observed.

The provision for the formation of interest reserves equals the total of the interest reserves for the past four calendar years that have not yet been paid out and the interest reserve for the next calendar year.

Interest on retirement assets

When it comes to interest payments, a distinction is made between the mandatory BVG benefits and the super-mandatory retirement benefits on

the one hand, and between the basic interest and additional interest rates on the other. These rates apply for a full calendar year and are communicated in advance.

The basic interest rates are determined on the basis of the Foundation's coverage ratio on October 31 of the previous year (section 4.3.1 of the pension regulations provides more information on the calculation). If the Foundation reported a funding deficiency on October 31, leading to the reduction or reversal of interest reserves on December 31, the coverage ratio as at October 31 is increased accordingly for the application of this provision.

The additional interest rates are determined in accordance with the Foundation's interest model. The interest model is described in the regulations on the formation of provisions and value fluctuation reserves. This is defined by the financial position of the Foundation in the past five years. The additional interest rate is published on the Foundation's website. The additional interest is calculated for the mandatory and super-mandatory pension capital. Since January 1, 2017, the total additional interest has been credited to the super-mandatory pension capital.

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|----------------------------------------------------------------------------|--------------------|---------------------|---------------------|--------------------|--------------------|--------------------|
| Contributions to (+)/ withdrawals from (-) interest reserve | | | | | | |
| For 2015 | -8,763,552 | -8,763,552 | -8,763,552 | -8,763,552 | -8,763,552 | 43,817,758 |
| For 2016 | 0 | 0 | 0 | 0 | 0 | |
| For 2017 | -38,960,436 | -38,960,436 | -38,960,436 | 194,802,180 | | |
| For 2018 | 0 | 0 | 0 | | | |
| For 2019 | 0 | 0 | | | | |
| For 2020 | 0 | | | | | |
| Contributions (+)/ withdrawals (-) | -47,723,988 | -121,757,272 | -121,757,272 | 112,005,344 | -82,796,836 | -30,215,526 |
| Balance of interest reserve | 77,920,872 | 125,644,860 | 247,402,132 | 369,159,404 | 257,154,060 | 339,950,896 |

The participation model (Vita Classic pension model) has been adjusted from January 1, 2021. No new interest reserves are formed. The reserve will be used for additional interest paid for 2021 and 2022 to the eligible pension schemes.

5.6 Last actuarial report of June 8, 2021

In this report, the pension actuary determines that:

Confirmation by pension actuary

As accredited pension actuary, we prepared the Foundation's actuarial balance sheet and determined, based on the documents provided to us in accordance with Art. 52e para. 1 BVG, that

- the technical interest rate and applied actuarial tables are appropriate;
- the Foundation can provide assurance as at the reporting date that it can fulfill its obligations;
- the regulatory actuarial provisions on benefits and financing correspond to the statutory provisions;
- the measures implemented to cover the actuarial risks are sufficient.

5.7 Actuarial tables and other actuarial assumptions

| | |
|-------------------------|---------------------------------------------------------------------------|
| Actuarial tables | BVG 2020 Generation Tables (previous year: BVG 2015 Generation Tables) |
| Technical interest rate | 1.50% (previous year: 1.75%) |

The Foundation's regulations on the formation of provisions, valid from December 31, 2020, apply.

5.8 Changes to actuarial tables and assumptions

At its meeting of March 9, 2021, the Foundation Board decided to use the BVG 2020 Generation Tables from December 31, 2020, and to reduce the technical interest rate to 1.50%. According to the calculations of the pension actuary, the cost of reducing the technical interest rate and the adjustment to the new Generation Tables is CHF 41.5 million, which was charged in full to the operating statement for the 2020 financial year.

5.9 Coverage ratio pursuant to Art. 44 BVV 2

A funding deficiency refers to a situation in which a pension fund does not have sufficient pension assets on the reporting date to cover its future pension liabilities as calculated by the pension actuary.

| in CHF | 12/31/2020 | 12/31/2019 |
|-------------------------------------------------|-----------------------|-----------------------|
| Accrued pension assets | 16,492,987,065 | 15,549,628,102 |
| Gross assets (total assets) | 17,173,105,296 | 16,247,154,558 |
| Liabilities | -466,072,863 | -468,844,069 |
| Accrued expenses and deferred income | -1,443,633 | -1,504,962 |
| Employers' contribution reserves | -149,997,177 | -153,779,048 |
| Uncommitted funds of pension schemes | -62,604,559 | -73,398,377 |
| Actuarial pension capital | 15,282,830,547 | 14,903,933,702 |
| Coverage ratio pursuant to Art. 44 BVV 2 | 107.9% | 104.3% |

6 Investments and net investment result

6.1 Organization of investment activities, investment advisors, asset managers and investment regulations

As the highest governing body, the Foundation Board is responsible for the investments. It defined the asset management organization and the powers of the units to whom asset management has been delegated in investment regulations.

The Foundation Board determines the investment strategy with the advisory support of the Investment Committee. The Foundation Board delegates the implementation of the investment strategy and the monitoring of the investments to the Chief Executive Officer and the Investment Committee.

Mandates, custodian banks

| | |
|--------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| Collective investments | Zurich Investment Fund Capvis Equity Partners Ltd Credit Suisse Funds AG Schroder Adveq Management Ltd Rye Harbour CLO, Ltd |
| Asset management, derivatives and US Treasuries | Cardano Risk Management B. V., Rotterdam (NL) The Dutch Authority for the Financial Markets (AFM) |
| Mortgages | Zurich Invest Ltd, Zurich Swiss Financial Market Supervisory Authority (FINMA) |
| Investment advisory service | Zurich Invest Ltd, Zurich SIGLO Capital Advisors AG, Zurich PPCmetrics, Zurich c-alm AG, St. Gallen |
| Investment controlling | Complementa AG, St. Gallen |
| Custodian banks / global custodian | UBS Switzerland AG, Zurich |

Requirements to be met by managers and asset managers in the occupational pension business pursuant to Art. 48f BVV 2

Only natural persons or legal entities who are qualified for this task and who are organized in such a manner that they meet the requirements of Art. 51b para. 1 BVG and the rules of Art. 48g to 48l BVV 2 can be subject to Art. 6.1 of the investment regulations. The provisions of Art. 6.3 to 6.8 of the investment regulations must be observed. The relevant provisions of the rules of organization also apply.

Loyalty declaration

Vita Collective Foundation is subject to the ASIP charter. As a result, Vita Collective Foundation has adopted governance regulations designed to ensure compliance with the BVG provisions on loyalty and integrity. The members of the governing bodies, the employees of SST Vita Dienstleistungs AG and the external partners who are responsible for the investment, management and control of the pension assets have undertaken to comply with the statutory and regulatory provisions. They sign a declaration every year confirming their compliance with the obligations of integrity and loyalty (Art. 51 BVG and Art. 48f to 48l BVV 2) as well as the Foundation's regulations regarding pecuniary advantages, interest alliances and own-account transactions.

Exercise of voting rights

Vita Collective Foundation actively exercises its voting rights in larger Swiss and foreign companies to protect the interests of its insured, and publishes its voting record on its website at www.vita.ch.

Financial Market Infrastructure Act (FMIA)

The FMIA makes a distinction between small and large financial counterparties. The threshold for a small financial counterparty is CHF 8 billion.

As a pension institution, Vita Collective Foundation qualifies as a financial counterparty. It falls well below the above threshold and is thus classified as a small financial counterparty.

The focus of the FMIA falls on the following duties: the duty to mitigate risks, the duty to provide accounts, and the duty to trade on platforms. Since January 1, 2018, a reporting duty has also applied. Vita Collective Foundation has delegated these tasks to Cardano Risk Management B. V. The delegation and related tasks are set out in the asset management agreement between Vita Collective Foundation and Cardano Risk Management B. V.

6.2 Expanded investment options pursuant to Art. 50 para. 4 BVV 2

The expanded investment options were not exercised in 2020.

6.3 Target and calculation of value fluctuation reserve

| | 12 / 31 / 2020 | 12 / 31 / 2019 |
|---------------------------------------------------------|--------------------|--------------------|
| Value fluctuation reserve – target | 916,969,833 | 894,236,022 |
| Target as % of pension obligations | 6.0% | 6.0% |
| Value fluctuation reserve – current | 916,969,833 | 645,644,400 |
| Value fluctuation reserve as at 01 / 01 | 645,644,400 | 0 |
| Formation (+)/reversal (-) of value fluctuation reserve | 271,325,433 | 645,644,400 |

Calculation methods

The target for the value fluctuation reserve (in percent) is calculated in accordance with the value-at-risk concept, based on normal distribution which takes a holistic approach to the risks and makes provision for the portfolio's diversification effect. The target value fluctuation reserve is defined on the basis of the investment strategy adopted by the Foundation Board. The following parameters apply to the calculation:

- Time frame: 1 year
- Targeted level of security without interest reserve: 97.5%
- Targeted level of security with interest reserve: 90.0%

6.4 Investments by asset class

| | 12 / 31 / 2020 | | Strategy | Band-width | 12 / 31 / 2019 | | BVV 2 limit |
|---------------------------------------------------------------|-----------------------|---------------|---------------|-------------|-----------------------|---------------|-------------|
| | in CHF | in % | | | in CHF | in % | |
| Cash and cash equivalents and money market investments | 250,399,113 | 1.48 | 1.0 | 0–5 | 274,767,226 | 1.72 | |
| Current accounts with banks, post office | 240,295,068 | 1.42 | | | 234,827,339 | 1.47 | |
| Money market – collective investments | 10,104,046 | 0.06 | | | 39,939,887 | 0.25 | |
| Bonds – collective investments | 5,382,105,590 | 31.78 | 30.0 | | 5,235,180,090 | 32.71 | |
| Swiss bonds | 1,213,132,859 | 7.16 | 5.0 | 2–8 | 870,020,614 | 5.44 | |
| Foreign bonds | 4,168,972,731 | 24.61 | 25.0 | 15–35 | 4,365,159,476 | 27.28 | |
| Equities – collective investments | 5,319,184,389 | 31.41 | 28.0 | | 4,694,293,840 | 29.33 | 50 |
| Swiss equities | 1,007,265,302 | 5.95 | 6.0 | 3–9 | 958,744,769 | 5.99 | |
| Foreign equities | 4,311,919,087 | 25.46 | 22.0 | 17–27 | 3,735,549,071 | 23.34 | |
| Real estate – collective investments | 2,385,534,354 | 14.08 | 13.0 | | 2,184,882,021 | 13.65 | 30 |
| Swiss real estate | 1,558,859,901 | 9.20 | 8.0 | 4–12 | 1,383,524,880 | 8.65 | |
| Foreign real estate | 826,674,453 | 4.88 | 5.0 | 2–8 | 801,357,141 | 5.01 | |
| Alternative investments – collective investments | 2,136,436,679 | 12.61 | 19.0 | | 2,592,477,634 | 14.50 | 15 |
| Hedge funds | 916,858,456 | 5.41 | 6.0 | 3–9 | 970,317,628 | 6.06 | |
| Collateralized loan obligations | 88,358,150 | 0.52 | 3.0 | 0–5 | 88,800,599 | 0.55 | |
| Private equity | 414,344,550 | 2.45 | 3.0 | 1–5 | 371,840,356 | 2.32 | |
| Insurance-linked strategies | 55,225,028 | 0.33 | 3.0 | 0–5 | 229,814,186 | 1.44 | |
| Options | 32,101,777 | 0.19 | | | 49,014,453 | 0.31 | |
| Senior loans (unhedged) | 629,548,719 | 3.72 | 4.0 | 2–6 | 610,788,050 | 3.82 | |
| Infrastructure | 255,155,878 | 1.51 | 2.0 | | 271,902,363 | 1.70 | 10 |
| Infrastructure | 255,155,878 | 1.51 | 2.0 | 0–4 | 271,902,363 | 1.70 | |
| Mortgages | 1,236,405,283 | 7.30 | 7.0 | 3–11 | 1,039,136,573 | 6.49 | 50 |
| Mortgages – collective investments | 160,174,882 | 0.95 | | | 79,781,990 | 0.50 | |
| Mortgages – direct investments | 1,076,230,401 | 6.35 | | | 959,354,583 | 5.99 | |
| Investments in affiliates | 100,000 | 0.00 | | | 100,000 | 0.00 | |
| Foreign currency hedging | 68,326,735 | 0.40 | | | 23,942,899 | 0.15 | |
| Hedging from derivatives transactions | –96,558,686 | –0.57 | | | –41,277,840 | –0.26 | |
| Total investments | 16,937,089,334 | 100.00 | 100.00 | | 16,003,502,444 | 100.00 | |
| Other assets | 236,015,962 | | | | 243,652,114 | | |
| Investments with the employer | 136,783,660 | | | | 150,200,140 | | |
| Other receivables | 92,747,433 | | | | 79,621,240 | | |
| Accrued income and deferred expenses | 6,484,869 | | | | 13,830,734 | | |
| Total assets | 17,173,105,296 | | | | 16,247,154,558 | | |
| Equities | 5,319,184,389 | 31.41 | | | 4,694,293,840 | 29.33 | 50 |
| Unhedged foreign currency | 2,865,755,515 | 16.92 | | | 2,730,197,517 | 17.06 | 30 |

Limits pursuant to BVV 2

The limits prescribed for investments by Art. 54, 54a, 54b and 55a, 55b, 55c and 55e BVV 2 were observed on 12/31/2020.

Investments in affiliates

In order to provide services in the occupational pension business, Vita Collective Foundation owns 100% of SST Vita Dienstleistungs AG (share capital of CHF 100,000). The capital is included in the investments.

6.5 Current (pending) capital commitments

On the reporting date, capital commitments were pending for the following investments:

| in CHF | 2020 | 2019 |
|--------------------------------------------------------------------------------------|---------------|---------------|
| CapVis III (Private Equity) | 0.6 million | 0.6 million |
| CapVis IV (Private Equity) | 0.3 million | 1.6 million |
| CapVis V (Private Equity) | 8.3 million | 13.3 million |
| Schroder Adveq Real Assets Harvested Resources L. P. (Schroder Adveq Management Ltd) | 7.4 million | 8.2 million |
| Private Equity I (Zurich Investment Fund) | 65.9 million | 78.8 million |
| Private Equity II (Zurich Investment Fund) | 31.0 million | 39.2 million |
| Private Equity III (Zurich Investment Fund) | 127.9 million | 188.4 million |
| Private Equity IV (Zurich Investment Fund) | 205.2 million | 232.4 million |
| Infrastructure I (Zurich Investment Fund) | 0.6 million | 4.8 million |
| Infrastructure II (Zurich Investment Fund) | 10.5 million | 32.8 million |
| Infrastructure III (Zurich Investment Fund) | 165.8 million | 0.0 million |
| ILS Life (Zurich Investment Fund) | 73.6 million | 90.6 million |
| Real Estate USA (Zurich Investment Fund) | 82.2 million | 152.2 million |
| Zurich Invest Middle Market Lending Europe I (Zurich Investment Fund) | 270.5 million | 0.0 million |

6.6 Open derivative contracts

Derivative contracts were in use on the reporting date in accordance with the provisions of Art. 56a BVV 2.

6.6.1 Currency hedging

With reference to the Foundation Board's rules on foreign currency hedging, the following currency hedges were outstanding on December 31, 2020:

| | 12 / 31 / 2020 | 12 / 31 / 2019 |
|--------------------------------|----------------------|----------------------|
| Total foreign currency | | |
| Equivalent in CHF | 5,328,660,784 | 5,041,681,704 |
| Market value in CHF | 5,260,334,049 | 5,017,738,805 |
| Unrealized gains in CHF | 68,326,735 | 23,942,899 |
| of: | | |
| Equivalent in CHF | 1,579,293,507 | 1,352,306,357 |
| Amount in EUR | 1,472,600,000 | 1,236,200,000 |
| Exchange rate on 12 / 31 | 1.081042 | 1.086293 |
| Market value in CHF | 1,591,942,214 | 1,342,874,962 |
| Unrealized gains in CHF | -12,648,707 | 9,431,396 |
| Equivalent in CHF | 3,058,307,528 | 2,963,392,616 |
| Amount in USD | 3,358,300,000 | 3,048,400,000 |
| Exchange rate on 12 / 31 | 0.883851 | 0.963625 |
| Market value in CHF | 2,968,238,283 | 2,937,515,726 |
| Unrealized gains in CHF | 90,069,245 | 25,876,890 |
| Equivalent in CHF | 340,479,865 | 406,366,831 |
| Amount in GBP | 287,600,000 | 331,700,000 |
| Exchange rate on 12 / 31 | 1.207114 | 1.280514 |
| Market value in CHF | 347,166,055 | 424,746,549 |
| Unrealized gains in CHF | -6,686,190 | -18,379,718 |
| Equivalent in CHF | 193,018,530 | 227,565,514 |
| Amount in YEN | 22,380,000,000 | 24,810,000,000 |
| Exchange rate on 12 / 31 | 0.008562 | 0.008894 |
| Market value in CHF | 191,615,893 | 220,654,462 |
| Unrealized gains in CHF | 1,402,637 | 6,911,052 |
| Equivalent in CHF | 38,405,967 | 28,190,428 |
| Amount in SEK | 369,600,000 | 276,800,000 |
| Exchange rate on 12 / 31 | 0.106864 | 0.103280 |
| Market value in CHF | 39,496,828 | 28,587,813 |
| Unrealized gains in CHF | -1,090,861 | -397,385 |
| Equivalent in CHF | 44,873,831 | 33,456,777 |
| Amount in DKK | 310,400,000 | 226,800,000 |
| Exchange rate on 12 / 31 | 0.145362 | 0.145223 |
| Market value in CHF | 45,120,482 | 32,936,666 |
| Unrealized gains in CHF | -246,652 | 520,112 |
| Equivalent in CHF | 74,281,556 | 30,403,180 |
| Amount in AUD | 112,800,000 | 44,900,000 |
| Exchange rate on 12 / 31 | 0.680446 | 0.677564 |
| Market value in CHF | 76,754,294 | 30,422,627 |
| Unrealized gains in CHF | -2,472,738 | -19,447 |

6.6.1.1 Collateral received / provided

A collateral management process has been introduced owing to new regulatory requirements (EMIR and FMIA). According to this process, the counterparty risk arising from unrealized gains and losses on over-the-counter (OTC) derivative transactions between market players is settled in cash (collateral) every day.

6.6.2 Open derivative contracts

| Market value | 2020 | 2019 |
|---------------------------------|-------------------|-------------------|
| Derivatives on Swiss equities | 6,420,355 | 9,802,891 |
| Derivatives on foreign equities | 25,681,421 | 39,211,562 |
| Total | 32,101,777 | 49,014,453 |

6.6.2.1 Obligation to provide cover – commitment-reducing derivatives

Commitment-reducing derivatives are covered by their corresponding underlyings. Vita Collective Foundation used the following indices with the relevant weighting to cover the underlyings. This well-diversified allocation mostly maps the portfolio of Vita Collective Foundation. The underlyings are available.

| Index Weighting | 2020 | 2019 |
|---------------------|------|------|
| S & P 500 | 34% | 34% |
| Euro Stoxx Index 50 | 10% | 10% |
| FTSE 100 | 6% | 6% |
| Topix | 8% | 8% |
| MSCI EM | 22% | 22% |
| Swiss Market Index | 20% | 20% |

6.6.2.2 Counting of derivatives to check maximum limits

These put options are asymmetric derivatives that are not credited to the underlyings.

6.6.2.3 Counterparty risk of derivatives

All of the 13 open derivative contracts are OTC transactions with a total replacement value of CHF 32,101,777.

All the transactions were OTC derivatives, and transactions were only executed with the following counterparties:

| Counterparties | 2020 | 2019 |
|-----------------------------|-------------------|-------------------|
| UBS Inc. | 10,941,324 | 5,966,020 |
| HSBC Bank PLC | 8,689,071 | 12,102,417 |
| Credit Suisse AG | 8,638,882 | 18,095,058 |
| Goldman Sachs International | 3,775,628 | 31,710 |
| BNP Paribas S. A | 56,873 | 12,711,950 |
| Merrill Lynch International | 0 | 70,033 |
| Société Générale | 0 | 37,265 |
| Total | 32,101,777 | 49,014,452 |

6.6.2.4 Use of derivatives during the financial year

Derivatives were used in the Swiss equities and foreign equities asset classes throughout the year. All derivatives were covered at all times and never led to a commitment that exceeded the maximum limit pursuant to Art. 54 BVV 2.

6.7 Market value and contracting parties for securities lending

The Foundation did not engage in any securities lending in the past financial year.

6.8 Net investment result

| in CHF | 01/01–12/31/2020 | 01/01–12/31/2019 |
|---------------------------------------------------------|--------------------|----------------------|
| Interest | -4,022,029 | -2,825,895 |
| Income from cash and cash equivalents | -979,574 | -751,661 |
| Income from investments with the employer | 2,066,826 | 3,248,426 |
| Interest on vested benefits | -5,109,281 | -4,283,665 |
| Interest on uncommitted funds of pension schemes | 0 | -342,753 |
| Interest on employers' contribution reserves | 0 | -696,241 |
| Money market – collective investments | -1,666,418 | -137,911 |
| Bonds – collective investments | 178,266,929 | 258,066,967 |
| Swiss bonds | 6,011,599 | 15,188,101 |
| Foreign bonds | 172,255,330 | 242,878,866 |
| Equities – collective investments | 480,628,499 | 951,885,891 |
| Swiss equities | 39,949,389 | 189,277,382 |
| Foreign equities | 440,679,110 | 762,608,509 |
| Real estate – collective investments | 46,597,207 | 204,337,729 |
| Swiss real estate | 80,613,774 | 91,160,320 |
| Foreign real estate | -34,016,567 | 113,177,409 |
| Alternative investments – collective investments | -28,507,888 | -148,128,022 |
| Hedge funds | -83,513,254 | 74,276,037 |
| Private equity | 11,615,907 | 23,907,250 |
| Senior loans, global | -26,241,817 | 27,282,249 |
| Collateralized loan obligations | 342,498 | -2,443,819 |
| Insurance-linked strategies | 808,704 | -13,822,651 |
| Options | 68,480,074 | -257,327,088 |
| Infrastructure | 7,911,759 | 22,725,956 |
| Infrastructure | 7,911,759 | 22,725,956 |
| Mortgages | 15,188,882 | 14,255,027 |
| Mortgages – collective investments | 767,390 | -173,944 |
| Mortgage interest | 14,421,493 | 14,428,971 |
| Income from currency hedging | 233,198,187 | -9,836,464 |
| Asset management costs | -98,156,987 | -95,829,759 |
| TER, expenses and other asset management costs | -95,424,014 | -93,605,207 |
| Management of mortgages | -2,732,973 | -2,224,553 |
| Net investment result | 829,438,142 | 1,194,513,518 |
| Gross performance (TTWR) | 5.55 % | 8.66 % |



TTWR = True Time-Weighted Rate of Return

Calculation of portfolio performance that does not take account of the capital inflows and outflows during the reporting period (source: Zurich Invest Ltd).

6.9 Asset management costs pursuant to Art. 48a BVV 2

| Investments | 12 / 31 / 2020 | 12 / 31 / 2019 |
|-----------------------------------------------------------------------------------------|-----------------------|-----------------------|
| Total investments | 17,166,620,427 | 16,233,323,824 |
| of which: cost-transparent investments | 17,166,620,427 | 16,233,323,824 |
| Cost-transparent investments in relation to total investments – cost transparency ratio | 100.00 % | 100.00 % |

| Asset management costs | 2020 | 2019 |
|-----------------------------------------------------------------|-------------------|-------------------|
| Directly recognized asset management costs | 6,629,093 | 6,090,320 |
| Total for all cost indicators in CHF for collective investments | 91,527,894 | 89,739,439 |
| Asset management costs recognized in operating statement | 98,156,987 | 95,829,759 |
| End balance for invested capital | 16,937,089,334 | 16,003,502,444 |
| as % of cost-transparent investments | 0.57 % | 0.59 % |

The directly recognized asset management costs include direct investment mandates, investment-relevant project costs incl. advisory fees, the costs of managing the Investment Committee and personnel costs relating to the persons at Foundation level who are directly involved in the management of the assets.

In addition to the fixed and performance-related portfolio management fees charged at the level of the fund of funds and target funds, the total costs for collective investment schemes include additional costs and services.

Approx. 55.3% (previous year: 54.0%) of the reported "Total for all cost indicators for collective investments" refers to alternative investments, 30.0% (previous year: 32.1%) to bonds and equities, and 14.7% (previous year: 13.9%) to real estate investments.

6.10 Investments with employers and employers' contribution reserves

| in CHF | 12/31/2020 | 12/31/2019 |
|----------------------------------------------------|--------------------|--------------------|
| Interest on arrears on employers' current accounts | 5.00% | 5.00% |
| Investments with employers | 136,783,660 | 150,200,140 |
| Employers' current accounts | 139,722,583 | 154,371,624 |
| Allowance for bad debts | -2,938,922 | -4,171,485 |

| in CHF | 2020 | 2019 |
|-----------------------------------------------------------|--------------------|--------------------|
| Interest on employers' contribution reserves | 0.00% | 0.50% |
| Employers' contribution reserves – as at 01/01 | 153,779,048 | 141,949,384 |
| Capital contributions to employers' contribution reserves | | |
| from contracts taken over | 385,602 | 597,861 |
| by employers | 30,996,074 | 31,547,955 |
| Withdrawals from employers' contribution reserves | | |
| from contract terminations | -6,671,030 | -4,560,376 |
| to finance contributions by the employer | -28,496,991 | -16,452,292 |
| Reconciliation | 4,474 | 274 |
| Interest on employers' contribution reserves | 0 | 696,241 |
| Employers' contribution reserves – as at 12/31 | 149,997,177 | 153,779,048 |

6.11 Contractual agreements regarding retrocessions

Vita Collective Foundation primarily invests the pension assets in investment groups (collective investments) managed by Zurich Investment Fund. For managing the individual investment groups and the institutional funds used for this purpose, Zurich Invest Ltd (the manager of Zurich Investment Fund) is paid a management fee from the institutional funds. No retrocessions are paid.

7 Other items in the balance sheet and operating statement

7.1 Other receivables

| in CHF | 12/31/2020 | 12/31/2019 |
|---------------------------------------------------------|-------------------|-------------------|
| Other receivables | 92,747,433 | 79,621,240 |
| Current accounts with Zurich Life Insurance Company Ltd | 38,019,141 | 65,699,117 |
| Receivables from Security Fund | 4,803,686 | 4,503,207 |
| Mortgage receivables | 906,624 | 1,367,406 |
| Prepaid benefits to insured | 3,326,017 | 860,266 |
| Withholding tax credits | 15,288,345 | 7,191,245 |
| Other receivables | 30,403,619 | 0 |

7.2 Accrued income and deferred expenses

| in CHF | 12/31/2020 | 12/31/2019 |
|----------------------------------------------------|------------------|-------------------|
| Accrued income and deferred expenses | 6,484,869 | 13,830,734 |
| Management fee discount for collective investments | 4,140,124 | 7,950,352 |
| Accrued interest on mortgages | 376,475 | 475,270 |
| Pending benefits from insurance company | 0 | 3,039,454 |
| Accrued interest on bonds | 1,968,270 | 2,365,658 |

7.3 Liabilities

| in CHF | 12/31/2020 | 12/31/2019 |
|-------------------------------------------------------------|--------------------|--------------------|
| Vested benefits and pensions | 215,643,242 | 205,472,714 |
| Other liabilities | 250,429,621 | 263,371,355 |
| Current account overdrafts with SST Vita Dienstleistungs AG | 705,249 | 812,068 |
| Incoming payments not yet processed | 92,543,202 | 112,247,765 |
| Prepaid contributions and pending benefits | 156,333,016 | 148,964,559 |
| Other liabilities | 848,154 | 1,346,963 |

7.4 Accrued expenses and deferred income

| in CHF | 12/31/2020 | 12/31/2019 |
|---------------------------------------------|------------------|------------------|
| Accrued expenses and deferred income | 1,443,633 | 1,504,962 |
| Administrative costs | 1,443,633 | 1,486,581 |
| Other accruals | 0 | 18,381 |

7.5 Other income

| in CHF | 01/01–12/31/2020 | 01/01–12/31/2019 |
|--------------------------------------------|------------------|------------------|
| Other income | 2,501,191 | 4,157,503 |
| Fees according to cost regulations | 1,111,808 | 1,499,148 |
| Provision for withholding tax | 104,242 | 75,320 |
| Extraordinary restructuring of liabilities | 1,285,141 | 2,583,035 |

7.6 Other expenses

| in CHF | 01/01–12/31/2020 | 01/01–12/31/2019 |
|----------------------------------------------------------|------------------|-------------------|
| Other expenses | –228,441 | –3,371,025 |
| Restructuring of accounts receivable and mutation losses | –228,441 | –343,381 |
| Extraordinary bad debt losses | 0 | –3,027,644 |

7.7 Changes to and interest on pension schemes' uncommitted funds

| in CHF | 2020 | 2019 |
|---------------------------------------------------------------|-------------------|-------------------|
| Interest on uncommitted funds | 0.00% | 0.50% |
| Uncommitted funds (pension accounts) as at 01 / 01 | 73,398,377 | 75,055,257 |
| Capital contributions to uncommitted funds (pension accounts) | | |
| from contracts taken over | 11,391,951 | 20,443,247 |
| Withdrawals from uncommitted funds (pension accounts) | | |
| from contract terminations | -7,570,589 | -6,115,325 |
| for improvement of pension benefits | -14,608,200 | -16,335,119 |
| Reconciliation | -6,980 | 7,563 |
| Interest on uncommitted funds (pension accounts) | 0 | 342,753 |
| Uncommitted funds (pension accounts) as at 12 / 31 | 62,604,559 | 73,398,377 |

8 Requirements of supervisory authority

The supervisory authority confirmed by letter of November 10, 2020, that it has taken note of the 2019 annual financial statements. The comments of the supervisory authority were taken into account and implemented in this annual report.

9 Additional information on the financial position

Report on partial liquidations of pension funds

The Foundation's regulations on partial liquidation require employers to inform the Foundation without delay of any workforce reduction or restructuring that could lead to a partial liquidation. If the conditions for a partial liquidation are met, the administration committee of the relevant pension fund must pass a declaratory resolution to trigger the partial liquidation process.

In the 2020 financial year, the affiliated employers informed the Foundation of three decisions that led to the partial liquidation of an affiliated pension fund. The partial liquidation procedure for two pension funds had not yet been finalized by December 31, 2020.

10 Events after reporting date

Due to the adjustment of the participation model (Vita Classic pension model), the target fluctuation reserve is set at 12% from January 1, 2021; the Foundation therefore has no uncommitted funds to report at Foundation level as at January 1, 2021.

Report of the statutory auditor on the financial statements

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Sammelstiftung Vita, which comprise the balance sheet, operating accounts and notes (on pages 9 to 39 of the annual report), for the year ended December 31, 2020.

Foundation Board's responsibility

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

Responsibility of the expert in occupational benefits

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

Auditor's responsibility

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

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

Opinion

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

Report on additional legal and other requirements

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

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

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 fulfill their duties of loyalty and disclosure of interests;

- the available funds or discretionary dividends from insurance contracts have been used in compliance with the legal and regulatory provisions;
- the legally required information and reports have been given to the supervisory authority;
- the pension fund's interests are safeguarded in disclosed transactions with related entities.

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

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

PricewaterhouseCoopers AG

Johann Sommer
Audit expert
Auditor in charge

Sebastian Heesch
Audit expert

Basel, June 8, 2021

Vita Collective Foundation

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