

Annual report

2021

AVENA
Fondation BCV 2^e pilier



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Message

from
the Chairman of the Pension Board



2021 was an exceptional year for financial markets, with returns that surprised many experts. Our Fund ended the year with an excellent net return of 8.93%. As a result, our Pension Board was able to pay 3.5% interest on all our members' pension assets – well above the 2.28% average over the past five years. Our funded status is also comfortable enough to ensure the long-term success of our Fund.

In 2021, we moved forward on our efforts to incorporate environmental, social, and governance (ESG) criteria into our investment processes. One way we did that was by joining the Ethos Engagement Pool. As part of this consortium of institutional investors, we can go beyond merely exercising our voting rights and engage in dialogue with the management of the companies we invest in, both in Switzerland and internationally, helping to get our message across to their Boards.

In autumn of 2021, between two rounds of Covid restrictions, we held our Biennial Conference, giving us the opportunity to meet personally with representatives of our member companies. The conference was held at the Olympic Museum in Lausanne. Guest speakers included Jacques de Watteville, BCV's outgoing Chair of the Board, who shared with us his insights on ESG investments.

Also last year, we added to our real estate portfolio, acquiring a new property in Crissier and building two others in Tolochenaz. Here too, we take our social and environmental responsibility very seriously; our Real Estate Committee takes sustainability criteria into careful consideration when managing our real estate assets.

As part of our efforts to expand our digital services, we rolled out an online platform that lets our members consult the status of their pension plans and simulate their pension benefits using values configured to their specific circumstances. And they can access the platform on their own at any time.

We're also working to build deeper relationships with our members. In 2022, we will start holding evening events where members can learn more about how our Fund is doing and ask specific questions to our experts.

I'd like to take this opportunity to stress that each and every one of us needs to think about retirement.

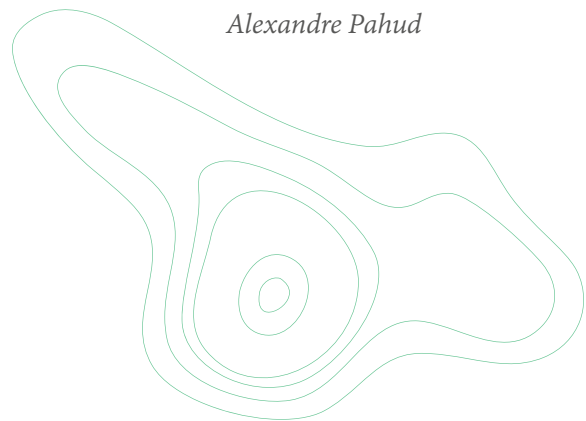
Last year, our Marcom Committee made great strides in managing communications to our external stakeholders and maintaining our visibility. We were more present than ever on social media and various news outlets, providing the public with important information about occupational pensions and keeping them updated on the latest developments at our Fund.

Thanks to the unfailing commitment of BCV's asset management and investment experts, we were able to face the year with confidence and serenity, enhance our visibility, and modernize our processes - all with a view to ensuring a secure and comfortable retirement for our members.

On behalf of the Pension Board, I would like to thank everyone for their admirable work.

And I would like to end this message by giving our warmest thanks to you, our members, for your trust in our Fund throughout 2021.

Alexandre Pahud



The Fund

at a glance

Pension plans

1,055



Fund members

15,276

12,084 of which
currently working



Total assets

2.67 bn



Experience in the field

43 years



Pension Board

42% women



Funded status

114.2%



Net return

8.93%



Interest rate

on plan assets (compulsory
and supplementary components)

3.50%



Biennial Conference

AVENA successfully passed its Covid stress test

Our members' future and socially responsible investing were the key themes of our 2021 Biennial Conference, which we were finally able to hold in person on Wednesday, 17 November at the Olympic Museum in Lausanne.

It was with great pleasure that *Alexandre Pahud*, AVENA's Chairman of the Board since 2020, proudly welcomed the many guests who attended the event. In his opening speech, he reiterated the importance of communication – that is explaining developments, providing information, and discussing practices and trends in our industry. These remarks were also the perfect way to introduce the next guest speakers.



A more sustainable portfolio

The next part of the evening began with a look at the growing trend towards sustainable investing. BCV's then-Chairman of the Board, **Jacques de Watteville**, walked the audience through the many acronyms in this area of finance, focusing on the three most important letters: ESG – for environmental, social, and governance – which are assessment criteria that go beyond a company's financials to look how it contributes to sustainable development. Investors use these criteria to determine whether a company should be included in their portfolios. In other words, sustainability is joining risk and return an essential element in evaluating potential investments.

Michel Aubry, the head of BCV's Asset Management Department, followed with a detailed explanation of the different roles and responsibilities involved in managing investment portfolios. He focused on how much risk they take, the types of products they invest in, how sustainable they are, and how they have performed.





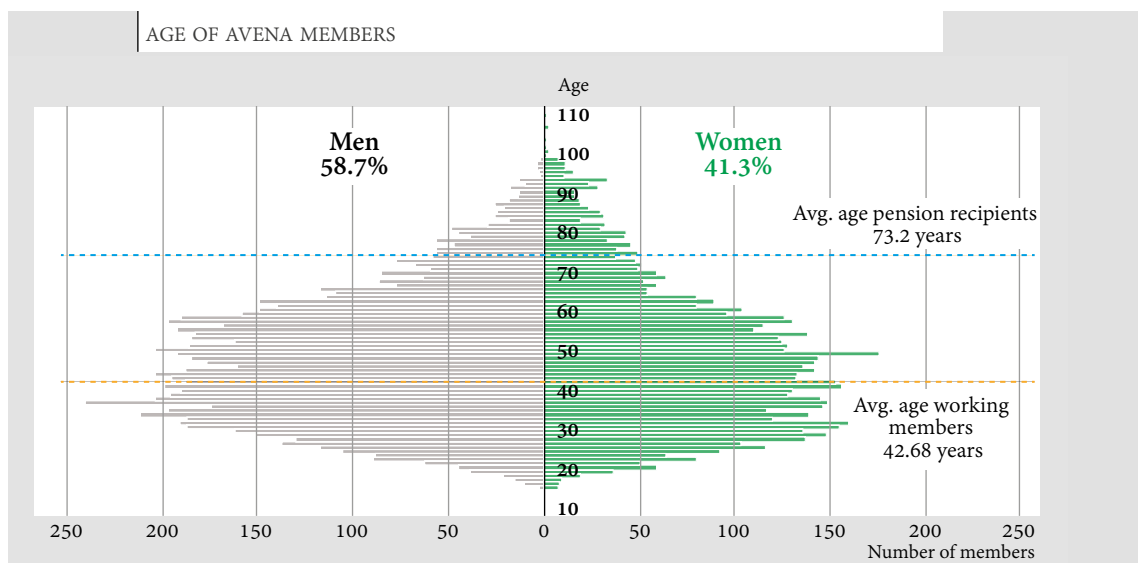
« The way people communicate about retirement has changed considerably over the past few years. It's our job to adapt and take advantage of these new information channels. »

Francis Bouvier, Director of AVENA

Stronger now than before the pandemic

During the Conference, we had excellent news to communicate to our members. Our Fund is holding up well thanks to our structured processes and specialized teams who build and manage our diversified and increasingly sustainable portfolio. Today, 56% of our portfolio is managed according to ESG criteria, against the Swiss pension fund industry average of 52%.

The good news did not stop there. The next speaker, our Director **Francis Bouvier**, showed that AVENA passed its Covid stress test with flying colors and is now even stronger than before. Very few of the companies in our portfolio defaulted. Francis also had reassuring news regarding the baby boomer generation that is now reaching retirement age. He displayed an age pyramid showing that the pool of younger members of our Fund is large enough to maintain our demographic balance.





Some of AVENA's Board members (left to right): Carine Wick, Catherine Vogt, and Claudine Imhof. On the right, Fabienne Freymond Cantone, a member of BCV's Board of Directors.

A digital and sustainability transition

Eftychia Fischer, a BCV Board member who became Chair of the Board on 1 January 2022, unfortunately could not make it to the conference. On her behalf, the head of BCV's Asset Management & Trading Division, **Fabrice Welsch**, spoke about the challenges faced by occupational pension fund managers in terms of regulatory and financial requirements, given that no major reforms have been passed since the late 1990s, the population is getting older, expected returns are declining, and the nature of employment is changing.

The speakers then took questions from the audience on subjects including ESG, investment returns, and the digitalization of AVENA's processes.

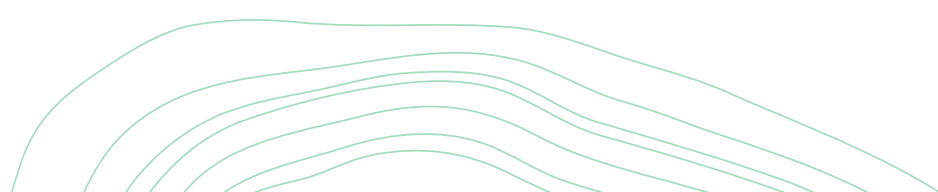
In response, the speakers stressed that the Fund is continuing with its transition in the area of digital technology just as much as sustainability, and that it is never too soon to start thinking about retirement.





External entities

Administrative and actuarial management	Banque Cantonale Vaudoise, Lausanne
Pension actuary	Stéphane Riesen, Pittet Associés
Auditor	Fiduciaire FIDAG SA, Martigny
Pension fund supervisory authority	Autorité de surveillance LPP et des fondations de Suisse occidentale, Lausanne
Asset manager and custodian bank	Banque Cantonale Vaudoise, Lausanne
Real estate expert	CBRE, Lausanne



Pension Board

Employee representatives



Alexandre Pahud
Chair
Governance Committee
Marcom Committee



Claude Rey
Chair of the Governance
Committee
Governance Committee
Investment Committee
Audit Committee



Marcellino Meleddu
Investment Committee
Audit Committee



Anne-Marie Auriault
Chair of the Real
Estate Committee
Real Estate Committee
Investment Committee



Cosette Hausammann
Real Estate Committee
Marcom Committee



Claudine Imhof
Governance Committee
Marcom Committee

Employer representatives



Catherine Vogt
Deputy Chair
Governance Committee
Marcom Committee



Dominique Blanchard
Chair of the Investment
Committee
Investment Committee
Real Estate Committee



Yvan Henzer
Real Estate Committee
Governance Committee



Giovanni Chiusano
Chair of the Audit
Committee
Audit Committee
Governance Committee



François Pugliese
Chair of the Marcom
Committee
Marcom Committee
Investment Committee



Carine Wick
Investment Committee
Marcom Committee





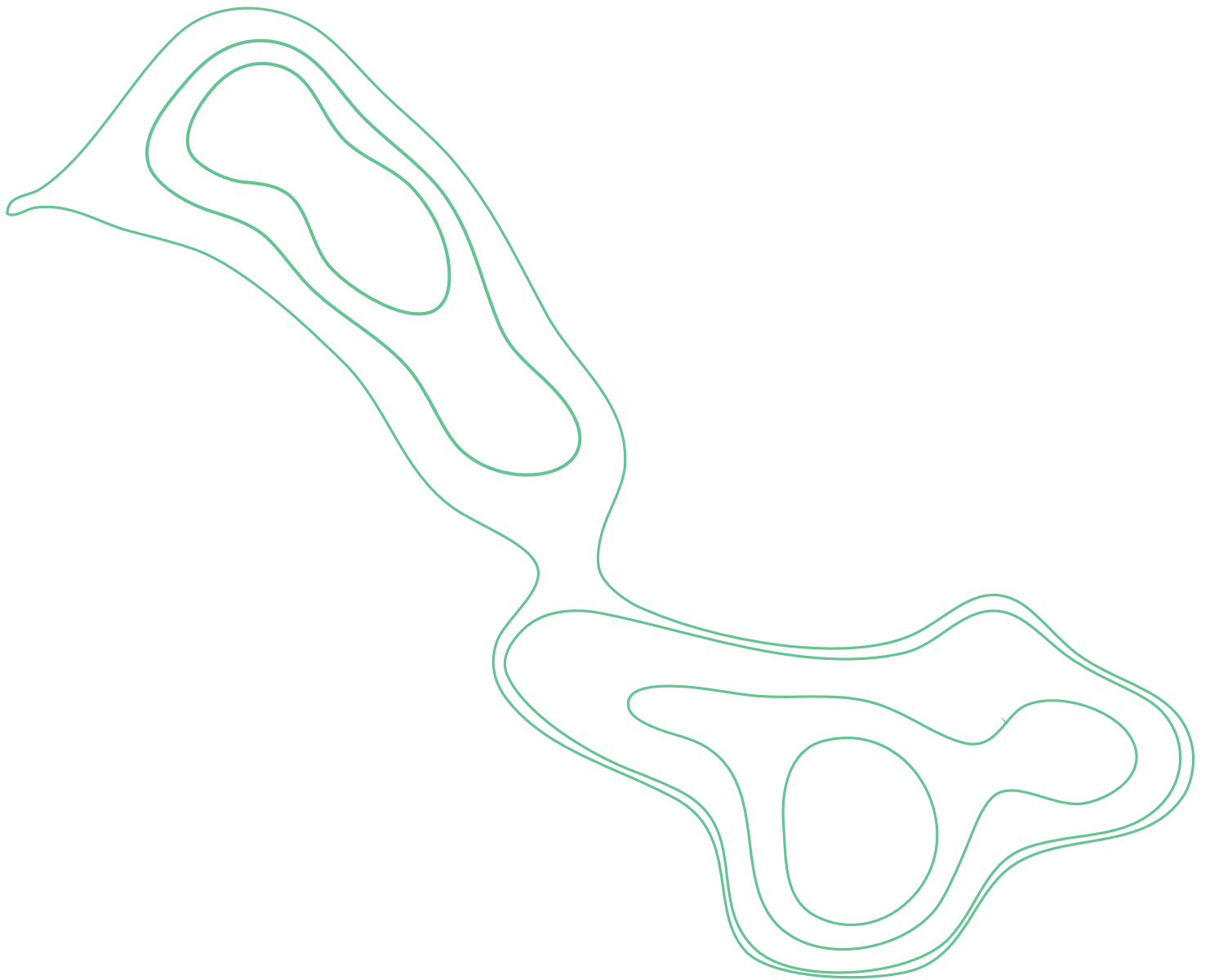
Fund members

Pension plans (including for 87 self-employed lawyers and notaries)	1,055
Average age of working members	42.68 years
Average pension assets per working member	CHF 103,522
Average age of pension recipients	73.2 years
Average annual pension income	CHF 23,783

Working members	
Men	7,090
Women	4,994
Total	12,084

Number of times pension funds used to help finance the purchase of a home	99
Average amount withdrawn to help finance the purchase of a home	CHF 69,084
Number of new pension recipients	220
Number of members who withdrew part of capital upon retiring	81
Average amount of capital withdrawn	CHF 302,024

Pension recipients	
Retired members	1,960
Disabled members	361
Spouses	571
Bridging pensions	31
Children	269
Total	3,192



2021

Economic overview

The global economy grew by nearly 6% in 2021, marking a stark contrast from the 3% contraction in 2020. This sharp growth rate reflects the large-scale fiscal and monetary stimulus measures that governments and central banks have been rolling out since the start of the pandemic.

Inflation emerged as a potential threat, however; after long being considered transitory, it eventually spread from the US to other countries. Stock markets gained 20% in the first part of 2021 on the back of robust GDP growth and the effects of governments' stimulus programs. They moved more erratically later in the year, however, as most observers expected.

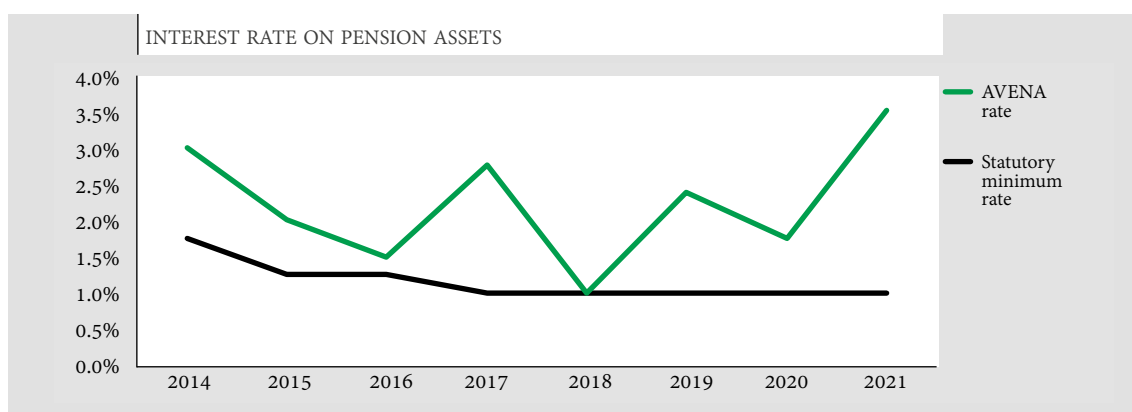
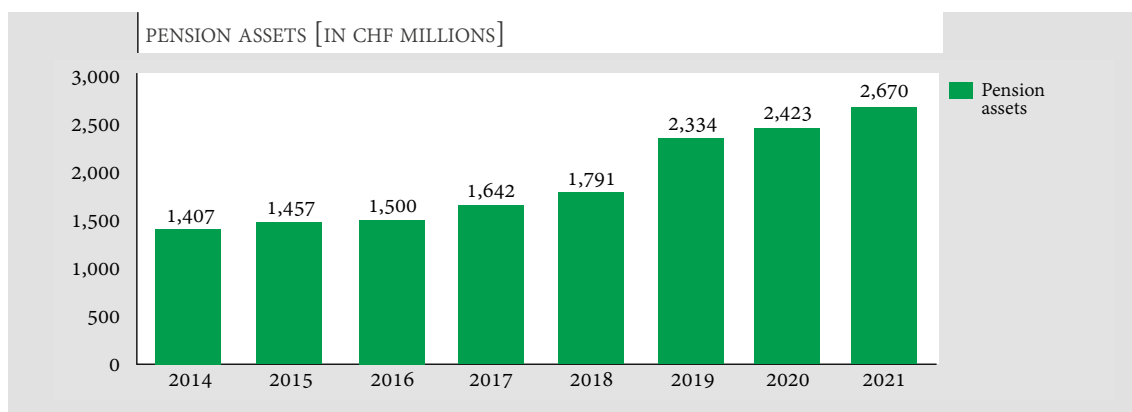
The stocks in our portfolio – both Swiss and foreign – contributed the most to our Fund's performance over the year. Other asset classes did well, too. First and foremost commodities, as they were supported by the rebound in economic output and the higher consumer prices, but also Swiss indirect real estate, which still offers more attractive returns than Swiss bonds. On the other hand, the rise in long-term bond yields dented our performance.

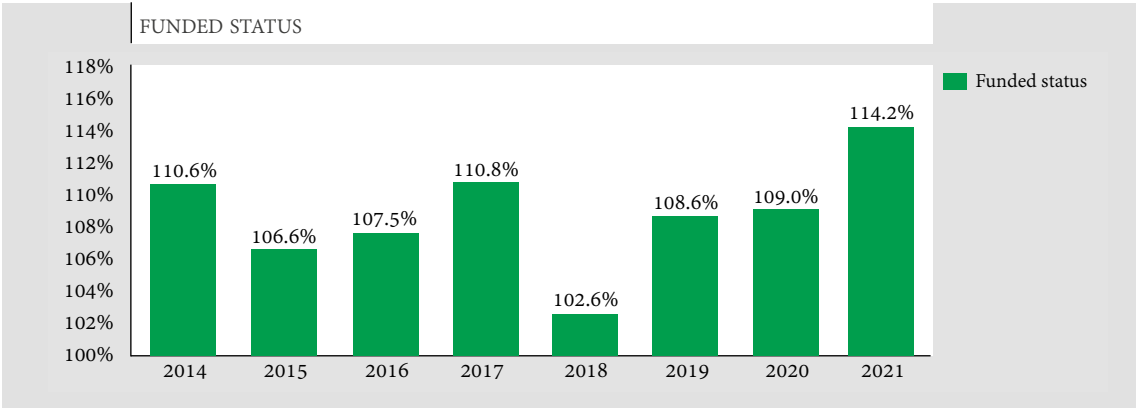
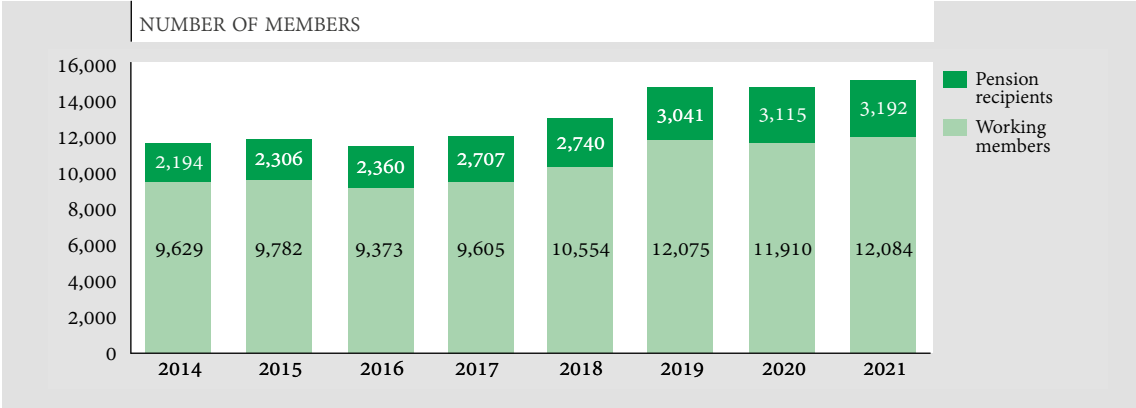
In 2021, we continued our efforts to find promising investment properties for our portfolio. We acquired a building in Crissier and began construction work on another in Tolochenaz, which should be finished in mid-2022.

Our portfolio delivered a solid 8.93% net return for the full year.

The Pension Board decided to conduct a new asset and liability management (ALM) assessment – basically, a review of how well our Fund's assets can cover our liabilities to our members – in 2021, in response to the changing market climate. The updated assessment was performed by consulting firm PPCmetrics, and the report was given to the Board in the autumn. It will help the Board outline a strategy for our short-, medium-, and long-term investments.

Key figures





ESG

Environmental – Social – Governance

The Pension Board had often discussed the topic of ESG at its virtual meetings during the pandemic. But at a meeting the Board held in Lavaux this past year, its members took the time to examine each of the three components of ESG.

Through our fund manager, we already have an ESG orientation in our investment portfolio, reflected in the fact that 56% of the portfolio's assets are managed according to ESG criteria.

Our Board has not yet reached gender parity, but elections have shown that diversity in our Fund's governance is also an important issue to our employer and employee representatives.

With regard to our real-estate holdings, our two new buildings (in Echallens and in Tolochenaz) are designed to be environmentally friendly. We may conduct renovation work on the Crissier building, taking into account both environmental and social factors.

We have been exercising our voting rights in Swiss companies through Ethos for a number of years. However, because we would like to engage in dialogue with the management of the companies we invest in, both in Switzerland and internationally, we have joined the Ethos Engagement Pool. Our Pension Board also successfully applied to join the Ethos Foundation.

Today, the Board would like to focus more on ESG in each of its relevant committees – Governance, of course, but also Investment and Real Estate – while also factoring in the findings of the updated ALM assessment.

We would also like to note that our management had a highly constructive discussion with Alliance Climatique Suisse on how our portfolio is positioned on environmental issues. We will likely continue to meet with the organization on a regular basis, as we believe that conversation and dialogue are crucial drivers of change in such important areas.

Fund holdings

at 31 December 2021

Asset class	Allocation at 31 December 2021	Strategic allocation
Cash and cash equivalents (including fiduciary investments)	14.28%	6.00%
CHF bonds	18.49%	24.50%
Non-CHF global bonds	4.75%	6.50%
Non-CHF emerging-market bonds	1.62%	2.00%
Swiss equities	13.79%	14.00%
Foreign equities	17.27%	17.00%
Swiss real estate (including direct real estate)	15.77%	13.00%
Hedge funds	8.23%	10.00%
Commodities (only indirect investment)	4.99%	5.00%
Private equity	0.82%	2.00%
	100.00%	100.00%



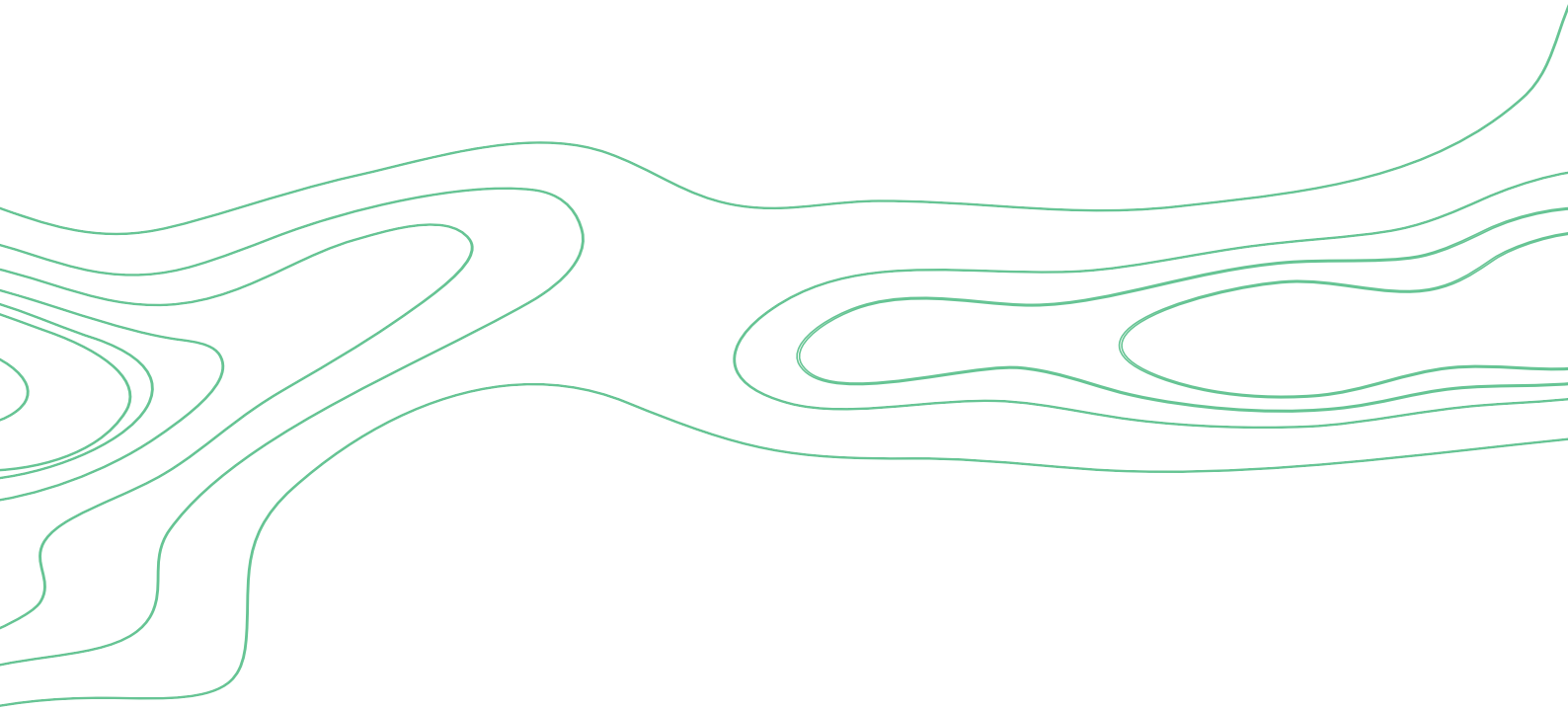
Type of holdings	CHF	31/12/2021	Strategy	Tactical	
				Min.	Max
		%			
Cash and cash equivalents					
Cash at bank in CHF	352,346,330	13.18%	6.0	0.0	20.0
Cash at bank in foreign currencies	3,093,881	0.12%			
Shares in money-market funds	0	0.00%			
Other assets	26,217,172	0.98%			
Total cash and cash equivalents	381,657,385	14.28%			
Bonds (including accrued interest)					
Mortgage-backed bonds	10,156,735	0.38%			
Swiss bonds	344,216,088	12.88%			
Foreign CHF bonds	139,756,816	5.23%			
Total CHF bonds	494,129,640	18.49%	24.5	15.5	34.5
Non-CHF bonds	127,056,075	4.75%	6.5	3.25	9.75
Emerging-market non-CHF bonds	43,196,025	1.62%	2.0	0.0	4.0
Total bonds	664,381,741	24.86%			
Equities					
Swiss equities	368,082,217	13.77%			
Shares in the Fund's founder	613,623	0.02%			
Total Swiss equities	368,695,841	13.79%	14.0		
Foreign equities	461,585,550	17.27%	17.0		
Total equities	830,281,391	31.06%	31.0	25.0	43.0
Real estate					
Residential properties and investments in real-estate companies	39,628,828	1.48%			
Shares in real-estate funds	382,014,927	14.29%			
Total real estate	421,643,756	15.77%	13.0	6.5	19.5
Hedge funds					
Total hedge funds	219,945,373	8.23%	10.0	5.0	15.0
Commodities					
Total commodities	133,485,160	4.99%	5.0	0.0	7.5
Private equity					
Total private equity	22,028,546	0.82%	2.0	0.0	5.0
TOTAL ASSETS	2,673,423,354	100.00%	100.0		



Balance sheet

at 31 December 2021

	31/12/2021	31/12/2020
	CHF	CHF
Assets		
Investments		
CHF current accounts	352,346,330	344,129,413
Non-CHF current accounts	3,093,881	1,696,510
Securities	2,252,137,140	2,018,715,465
Real estate	39,628,828	30,260,278
Total investments	2,647,206,181	2,394,801,665
Accruals	26,217,172	28,270,625
TOTAL ASSETS	2,673,423,354	2,423,072,290
Liabilities and equity		
Liabilities		
Termination benefits and pension benefits	54,551,047	73,590,594
Banks and insurance companies	29,269	37,952
Other	1,890,823	2,136,428
Total liabilities	56,471,140	75,764,974
Deferrals	52,549,505	20,829,793
Employer contribution reserve	29,651,978	26,338,063
Pension capital for working members	1,375,683,479	1,305,803,889
Pension capital for pensioners	749,496,059	705,609,400
Actuarial reserves	85,162,538	89,432,830
Non-committed funds belonging to members	8,780,964	10,254,700
Total pension capital and actuarial reserves	2,219,123,041	2,111,100,820
Value fluctuation reserve	315,627,688	189,038,641
Fund capital, free assets		
Opening balance	0	0
Total Fund capital, free assets	0	0
TOTAL LIABILITIES AND EQUITY	2,673,423,354	2,423,072,290



Income

statement

	2021	2020
	CHF	CHF
Ordinary and other contributions	146,350,665	143,062,148
Transfers-in	139,120,529	164,996,624
Inflow from contributions and transfers-in	285,471,194	308,058,772
Regulatory benefits	-93,427,881	-87,199,898
Non-regulatory benefits	-5,784	-5,785
Termination benefits	-159,133,347	-200,333,061
Outflow for benefits and early withdrawals	-252,567,013	-287,538,744
Release/creation of pension capital, actuarial reserves, and contribution reserves	-111,336,137	-64,382,904
Income from insurance benefits	18,504,912	20,483,080
Insurance expenses	-12,322,096	-13,187,172
Net income from insurance components	-72,249,140	-36,566,968
Net return on investments	208,512,143	57,818,258
Other income	128,359	238,635
Expenses	-9,802,315	-9,255,097
Income/(expense) surplus before creation/release	126,589,046	12,234,829
Change in value fluctuation reserve	-126,589,046	-12,234,829
Net income/(expense)	0	0

AVENA

Fondation BCV 2^e pilier

AVENA – Fondation BCV 2e pilier

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