

**PERSONALVORSORGESTIFTUNG DER
FELDSCHLÖSSCHEN-GETRÄNKEGRUPPE**

2019 Annual Report

(Short Version)

2019 Annual Report

Last year saw positive performance across all investment categories. With a total return on investment of 11.5%, 2019 was the best investment year since the financial crisis. Reserves reached a record high thanks to exchange rate gains and the funding ratios.

The Personalvorsorgestiftung der Feldschlösschen-Getränkegruppe generated a very encouraging **return** on total assets of **8.3%** (previous year -0.92%). The highly positive performance of equity markets also meant that the upper bandwidth of equity categories was achieved, as a result of which the Investment Committee decided in August to reduce equity investments (in particular, Swiss equities) by CHF 10 million and increase the under-weighted share of Swiss bonds by the same amount (rebalancing). Without exception, all investment strategy bandwidths had been adhered to at year-end.

Nevertheless, the return on investment was below average compared to the returns reported by other institutional Swiss investors. The reason for this is that the investments in shares of the Personalvorsorgestiftung der Feldschlösschen-Getränkegruppe have a below-average weighting due to the demographic of the pension plan's insured members (more members drawing pensions than active members).

Income from investments in 2019 amounted to CHF 55.4 million (2018: - CHF 5.89 million).

The interest situation remains unchanged versus the previous year, as banks continue to charge clients **negative interest rates**. In 2019, negative interest on bank balances amounted to CHF 91,077.82 (2018: CHF 107,357.25). This interest rate environment significantly impedes liquidity planning, since a sufficiently large volume of liquidity must be available in order to meet obligations, and in particular pension payments, on time.

The **income surplus** at 31 December 2019 amounted to **CHF 25.9 million**. The **fluctuation reserve** was increased by this amount, ending the year at **CHF 61.77 million**. The target for the fluctuation reserve is CHF 137.4 million.

In 2019 the minimum BVG interest rate of 1% was applied to the retirement capital of active insured members. The interest expense on savings capital amounted to CHF 2.2 million.

The Board of Trustees has adopted the following measures **to strengthen the pension fund's financial situation**:

In December 2019 the Board of Trustees decided to keep the **technical interest rate** at **1.5%**. In view of the current interest rate situation, the technical interest rate must be reduced to 1% over the medium term. For this reason, the Board of Trustees decided to set aside a provision and allocated CHF 2 million to this provision as at 31 December 2019.

Active insured members were informed in September 2019 that the conversion rate for statutory retirement (men 65 / women 64) is to be reduced from 5.9% to 5.1% as from 1 January 2022. To soften the impact of

pension losses, the Board of Trustees set aside an additional reserve of CHF 16 million. Since this measure in itself is not sufficient, the saving contributions will be 10% higher as from 1 January 2020.

Despite allocating these additional reserves, the **funding ratio** (available pension assets measured on the basis of actuarial obligations) at 31 December 2019 rose to a very encouraging **109.4%** (previous year 105.6%).

Membership – The number of active members remained unchanged year-on-year. At 31 December 2019, the pension fund had 1,244 active members insured (previous year 1,243). The number of pension recipients dropped by 45 to end the year at 1,420.

For more information on the annual financial statements at 31 December 2019 and for details on the number of insured members, please refer to the Annex to the Annual Report.

Ordinance Against Excessive Compensation in Listed Joint-Stock Corporations (OaEC)

The ordinance which came into force on 1 January 2014 requires pension plans to exercise their voting right as shareholders in direct investments and to disclose their voting behaviour. As the Personalvorsorgestiftung der Feldschlösschen-Getränkegruppe engages exclusively in collective investments, it has no investments subject to the OaEC and is accordingly exempt from the obligation to exercise voting rights.

Election of employee representatives to the Board of Trustees

Since the term of office of the **Employee Representatives on the Board of Trustees** expires on 30 June 2020, an election was held for four 4 employee representatives. Voting closed on 31 March 2020. 1,248 voting slips were sent out, and 336 were received by the submission deadline, corresponding to a participation ratio of 26.92%.

The following were elected:

Priska Gautschi (current representative), “Administration” unit
Daniel Berger (current representative), “Customer Supply Chain” unit
Marcel Kiesewetter (current representative), “Production” unit
Ulrich Reinhard (current representative), “Sales” unit

The term of office is from 1 July 2020 to 30 June 2023.

Reform of the occupational pension scheme – Higher life expectancy, and the persistently difficult situation on capital markets marked by very low or even negative interest rates, are proving challenging for pension funds whose benefits extend only a little, if at all, beyond the obligatory occupational pension scheme. The aim of reforming the occupational pension scheme is to secure pensions, strengthen funding and provide better protection for part-time employees – hence in particular for women. At its meeting on 13 December 2019, the Federal Council released for consultation the proposal which was formulated by the three national social partner organisations.

Outlook

Due to the corona virus crisis, which has now spread to virtually all countries throughout the world, it is extremely difficult to give any predictions for 2020. Equity markets have plummeted since February 2020. It is also virtually impossible to forecast economic performance for this year. Closed businesses and restaurants, reduced working hours and other restrictions will have far-reaching repercussions on economic life.

The Board of Trustees of the Personalvorsorgestiftung der Feldschlösschen-Getränkegruppe is taking the current challenges very seriously and endeavouring to do its very best within the bounds of possibility.

Note - The pension fund's home page www.pvs-feldschloesschen.ch provides information on contributions and benefits, the pension fund regulations, forms and contact details, as well as the latest news and key figures.

We hope this Annual Report has once more provided you with valuable information, and wish you good health.

Personalvorsorgestiftung der Feldschlösschen-Getränkegruppe

Patrik Füeg, Chairman of the Board of Trustees
Susanne Baumberger, Head of Administration

Rheinfelden, May 2020

BALANCE SHEET**31.12.2019****31.12.2018**

CHF

CHF

ASSETS**Investments****682'177'166.11****639'560'647.84**

Cash and cash equivalents

11'866'356.88

11'504'271.94

Receivables

476'331.80

784'860.40

Employers' current account

4'571'894.65

3'010'615.85

Swiss Life current account

1'729'834.50

1'935'394.15

Securities

Fund Money Market

9'626'812.95

19'807'340.05

Bonds CHF

227'641'567.60

212'367'603.85

Foreign currency bonds (hedged)

40'677'735.95

39'243'403.20

Equities CHF

53'870'457.77

48'349'167.32

Equities foreign (hedged)

75'035'833.85

62'496'488.32

Equities foreign Small Cap

22'736'690.80

18'418'455.00

Equities Emerging Markets

21'851'117.20

18'997'894.60

Real estate fund units

212'092'532.16

202'645'153.16

Prepayments and accrued income**2'091.00****3'486.00****Assets from insurance contracts****38'573'672.00****43'585'270.00****Total Assets****720'752'929.11****683'149'403.84****LIABILITIES****Liabilities****3'314'628.90****4'638'751.80**

Termination benefits and pensions

3'314'628.90

4'638'751.80

Accrued liabilities and deferred income**657'603.35****679'304.38****Non-actuarial reserve****727'766.85****727'766.85****Insurance capital and actuarial reserves****654'280'086.00****641'226'307.00**

Retirement savings capital of active insureds

240'578'418.00

232'136'427.00

Retirement savings capital of pensioners

348'853'177.00

364'936'780.00

Actuarial reserves

64'848'491.00

44'153'100.00

Fluctuation reserve**61'772'844.01****35'877'273.81****Non-committed funds****0.00****0.00**

At start of period

0.00

0.00

Income / Expense surplus

25'895'570.20

-22'846'531.06

Increase / Decrease of fluctuation reserve

-25'895'570.20

22'846'531.06

Total Liabilities**720'752'929.11****683'149'403.84**

INCOME STATEMENT

	01.01.-31.12.2019	01.01.-31.12.2018
	CHF	CHF
Ordinary and other contributions and transfer-ins	25'408'059.80	26'877'392.05
Employees' contributions	9'784'080.33	9'591'296.35
Employers' contributions	13'480'405.47	13'213'818.30
One-time payments and purchase amounts	2'143'574.00	4'072'277.40
Entry lump sum transfers	9'012'806.70	5'697'463.30
Termination benefit transfers	8'822'116.80	5'408'929.20
Payments for early withdrawal home ownership/divorce	190'689.90	288'534.10
<i>Inflow from contributions and entry lump-sum transfers</i>	<i>34'420'866.50</i>	<i>32'574'855.35</i>
Regulatory benefits	-35'748'201.40	-37'001'286.35
Retirement pensions	-19'501'627.20	-20'046'522.20
Survivors' pension	-8'263'202.60	-8'468'993.00
Disability pensions	-1'731'082.50	-1'937'734.90
Lump-sum payments on retirement	-6'152'020.30	-5'571'889.15
Lump-sum payments on death	-100'268.80	-976'147.10
Termination benefits	-12'696'229.05	-18'113'142.85
Termination benefits on leaving	-11'636'237.40	-16'187'327.15
Withdrawals for home ownership/divorce	-1'059'991.65	-1'925'815.70
<i>Outflow for benefits and withdrawals</i>	<i>-48'444'430.45</i>	<i>-55'114'429.20</i>
Decrease/Increase of insurance capital, actuarial reserves and contribution reserves	-18'086'431.35	2'273'827.16
Change in insurance capital for active members	-6'197'721.30	5'443'337.95
Change in insurance capital, pensioners	16'083'603.00	9'082'701.00
Change in assets from insurance contracts	-5'011'598.00	-3'704'317.00
Change in actuarial reserves	-20'695'391.00	-6'282'526.00
Interest on savings capital	-2'244'269.70	-2'237'494.95
Interest expense, vested benefits and bridging pensions	-21'054.35	-27'873.84
Income from insurance benefits	4'865'689.95	5'343'263.40
Insurance benefits	4'865'385.95	5'343'115.40
Surplus from insurances	304.00	148.00
Insurance expense	-294'161.20	-90'251.75
Insurance premium	-191'246.00	0.00
Contributions to Security Fund	-102'915.20	-90'251.75
Net result from insurance activities	-27'538'466.55	-15'012'735.04
Net return on assets	53'990'328.36	-7'288'795.47
Interest income on bank balances	0.00	0.00
Interest on bank balances	-91'077.82	-107'357.25
Interest income on employers' current account	18'437.00	25'274.65
Income Swiss Life	0.00	0.00
Income from investments	55'425'798.15	-5'894'524.65
Administrative expense for assets	-1'362'828.97	-1'312'188.22
Reversal/formation of non-technical provisions	0.00	0.00
Other income	3'386.65	1'911.00
Other earnings	3'386.65	1'911.00
Other expenses	-55'618.95	-33'632.95
Administrative expense	-504'059.31	-513'278.60
Own administrative costs	-391'834.00	-411'398.45
Auditors	-27'732.75	-27'810.00
Occupational pension plan experts	-61'382.50	-56'717.90
Supervisory authorities	-7'894.35	-7'274.85
Legal advice, other consulting services and external IT services	-13'242.25	-7'749.15
Fees, levies, contributions	-1'973.46	-2'328.25
Result before reversal / recognition of fluctuation reserve	25'895'570.20	-22'846'531.06
Increase / Decrease of fluctuation reserve	-25'895'570.20	22'846'531.06
Expense / Income surplus	0.00	0.00

Notes to 2019 Financial Statements

Legal form and purpose

The purpose of the pension fund is to provide an occupational pension plan under the terms of the BVG and its implementation provisions, in order to insure employees of Feldschlösschen Getränke AG and companies which have close economic or financial ties to it and are affiliated to the pension fund, as well as their family and survivors, against the economic consequences of old age, death and disability.

The pension fund can provide benefits beyond the minimum benefits defined by the BVG, including support benefits in emergencies such as illness, accident and loss of employment.

The fund complies with the obligations of the BVG and is entered in the Occupational Pension Scheme Register and Supervisory Authority of the Canton of Aargau under Number 0232.

Affiliated employers

	31.12.2019	31.12.2018
Active members		
Feldschlösschen Getränke AG	419	439
Feldschlösschen Supply Company AG, from 1.10.2014	675	662
Carlsberg Supply Company AG	146	142
Delegate employees (Carlsberg Group's Global Mobility Programme)	4	0
Total	1,244	1,243

Membership

	31.12.2019	31.12.2018
Active members		
Men	1,005	1,013
Women	239	230
Total	1,244	1,243
Of which insured under the Plus plan	157	159

	31.12.2019	31.12.2018
Pension recipients		
Old age pension recipients	768	795
Disability pension recipients	76	85
Widows and widowers	546	556
Orphans / children's pensions	30	29
Total	1,420	1,465

Pension plan

The pension plan is based on a defined contribution scheme for *retirement provisions*. The fund offers two plans for retirement provisions (Basic plan and Plus plan). Under the Basic plan, the employee pays retirement contributions of 40% and the employer 60%. Under the Plus plan, the employee's and employer's contributions are the same (50/50).

Disability and death benefits (*risk provision*) are defined as a percentage of the insured salary (defined benefit scheme). The contributions are financed 40% by the insured member and 60% by the employer.

Actuarial risks / risk coverage

As an autonomous pension fund, the Personalvorsorgestiftung der Feldschlösschen-Getränkegruppe bears the risk itself for the regulatory benefits of the risk provision (disability and death) and retirement provisions.

Insurance contracts

Swiss Life – pension agreement

Part of the pension stock from some former pension funds is still fully reinsured with Swiss Life. The fund is the policyholder and pays the pension to pensioners on a monthly basis. Pensioners have no direct claims on Swiss Life.

The corresponding repurchase value (assets from insurance contracts) is CHF 38,5 million.

Actuarial principles

The regulatory principles and calculations for the actuarial balance sheet are based on the actuarial principles set forth in the LOB 2015 / PT 2015 (so-called period table).

The technical rate of interest is 1.5%.

To provide for the increase in life expectancy and other anticipated changes, a *provision for changes in principles* is recognised and set aside.

Since the Personalvorsorgestiftung der Feldschlösschen-Getränkegruppe bears the pension losses resulting from the excessively high actuarial conversion rate, a *conversion rate provision* is recognised.

As the foundation itself bears the actuarial risks in the event of death and invalidity, a *risk fluctuation fund* must be managed to offset actuarial fluctuations (death and disability cases do not follow the expected trend).

Provision for reduction in conversion rate – temporary provision as part of the stabilisation measures adopted by the Board of Trustees.

Provision for reduction of technical interest rate – Due to the current interest rate situation, the technical interest rate must be reduced over the medium term to auf 1%. To this end, a provision for technical interest rate was set aside.

	31.12.2019	31.12.2018
Changes in principles	6,841,946	5,383,013
Conversion rate	27,977,399	27,311,302
Risk fluctuation fund	12,029,146	11,458,785
Reduction in conversion rate	16,000,000	0
Reduction in technical interest rate	<u>2,000,000</u>	<u>0</u>
Total technical provisions	64,848,491	44,153,100

Funding ratio pursuant to Art. 44 BVV2

Mr Stephan Gerber, an actuarial expert with SLPS AG, conducts an annual review under the terms of Art. 52e Para. 1.a BVG. The review of the year ended 31 December 2019 produced the following findings:

The actuarial balance sheet at 31 December 2019 shows an actuarial surplus of CHF 25,895,570. The funding ratio is 109.4%. The Personalvorsorgestiftung der Feldschlösschen-Getränkegruppe has no underfunding within the meaning of Art. 44 BVV2.

	31.12.2019	31.12.2018
Required retirement capital and technical provisions	654,280,086	<u>641,226,307</u>
Retirement capital and technical provisions	654,280,086	641,226,307
Fluctuation reserve	61,772,844	35,877,274
Pension fund capital, non-committed funds	0	0
Funds available to cover regulatory obligations	<u>716,052,930</u>	<u>677,103,580</u>
Funding ratio	109.4%	105.6%

Accounting and valuation principles

Bookkeeping, balancing of accounts and valuation complies with the provisions of the Swiss Code of Obligations and the BVG. The annual statements consisting of the balance sheet, income statement and notes provide a true and fair view of the financial situation as required by law. The applied accounting principles comply with the Swiss GAAP FER 26 accounting standard which among other things require statements to be drawn up at market values and require no other reserves apart from those technically necessary. Noncommitted funds may be reported only when all reserves in the required amount have been augmented.

All assets are measured at fair value (market value) on the balance sheet date, based on the rates provided by the depositaries. The provisions of Article 48 BVV2 and Swiss GAAP FER 26.3 also apply.

Fluctuation reserve

The target for the fluctuation reserve is defined by the external investment expert in the course of a risk capability audit. This is generally calculated on a yearly basis.

An audit was conducted as at 31 December 2019. For current asset investments this calculation results in a target fluctuation reserve of 21% of the tied-up retirement capital (security level 99%, for a time horizon of two years).

	31.12.2019	31.12.2018
Fluctuation reserve at 1.1.	35,877,274	58,723,805
Allocation charged to the income statement	<u>25,895,570</u>	<u>- 22,846,531</u>
Fluctuation reserve acc. To balance sheet	61,772,844	35,877,274
Target fluctuation reserve	<u>137,400,000</u>	<u>143,600,000</u>
Reserve deficit	- 75,627,156	- 107,722,726

Investment strategy

The Board of Trustees defines the investment guidelines drawing on the services of PPCmetrics AG, Zurich, as consultant. The investment strategy is influenced by risk capability, demographics and the projected outflow of liquidity. At the end of the reporting year, all investment categories were within the strategic bandwidths.

Presentation of asset investments by investment category

Asset investments / risk distribution

Investment category	Portfolio	Internal	UBS	Credit Suisse	Swisscanto Assetimmo Cité du Levant	Total 31.12.2019	Effective share	Strategy
		CHF	CHF	CHF	CHF	CHF	%	%
Receivables, current accounts, Accrued income and prepaid expenses		6'780'152	-	-	-	6'780'152	0.9%	---
Liquidity / CHF money market		-	11'820'440	9'672'730	-	21'493'170	3.0%	0 - 10%
Equities CHF		-	-	53'870'458	-	53'870'458	7.5%	4 - 10%
Equities foreign (hedged)		-	-	75'035'834	-	75'035'834	10.4%	6 - 14%
Equities foreign Small Cap		-	-	22'736'691	-	22'736'691	3.2%	1 - 5%
Equities Emerging Markets		-	-	21'851'117	-	21'851'117	3.0%	1 - 5%
Bonds CHF		-	-	266'215'239	-	266'215'239	36.9%	32 - 52%
Foreign currency bonds (hedged)		-	-	40'677'736	-	40'677'736	5.6%	2.5 - 7.5%
Real estate fund units		-	-	0	212'092'532	212'092'532	29.4%	20 - 36%
		6'780'152	11'820'440	490'059'805	212'092'532	720'752'929	100.0%	

Explanation of net result from asset investments

	Total 2018	Total 2019	Fund Money Market	Bonds CHF	Foreign currency bonds (hedg.)	Equities CHF	Equities Emerging Markets	Equities foreign (hedged)	Equities Small Cap	Real estate fund units
	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF
Income from interest on bank balances	-	0	-	-	-	-	-	-	-	-
Interest on bank balances	-107'357	-91'077	-	-	-	-	-	-	-	-
Income from interest on employers' current account	25'275	18'437	-	-	-	-	-	-	-	-
Income Swiss Life	-	-1	-	-	-	-	-	-	-	-
Realised income from investments	9'886'916	9'323'435	222'218	2'893'049	924'595	1'456'656	530'047	1'620'584	397'038	1'279'248
Unrealised exchange rate gains	-15'781'441	46'102'363	-316'821	3'397'233	835'104	12'659'702	2'520'489	13'486'980	4'072'297	9'447'379
Foreign currency losses	-	-	-	-	-	-	-	-	-	-
Income from real estate	-	-	-	-	-	-	-	-	-	-
Administrative expense for assets										
Key cost figures in CHF for coll. Investments	-1'015'237	-1'046'231	-11'355	-5'770	-2'705	-1'137	-18'149	-1'559	-18'671	-986'885
Credit Suisse asset management fee	-190'976	-208'226 *	-	-	-	-	-	-	-	-
Global Custody Credit Suisse fees	-42'058	-42'296 *	-	-	-	-	-	-	-	-
Investment consulting and controlling fees	-53'635	-57'620 *	-	-	-	-	-	-	-	-
Expenses for securitisation consulting	-	-	-	-	-	-	-	-	-	-
Other bank expenses	-10'282	-8'456 *	-	-	-	-	-	-	-	-
Net return on assets	-7'288'795	53'990'328	-105'958	6'284'512	1'756'994	14'115'221	3'032'387	15'106'005	4'450'664	9'739'742

* Allocation to indiv. Asset investments not possible

Asset management costs

	31.12.2019	31.12.2018
Total fund assets (market values)	682,177,166	639,560,647
of which:		
Transparent investments	682,177,166	639,560,647
Cost transparency ratio	100%	100%
Directly recognised asset management costs	316,598	296,951
Total of all key cost figures recorded in the income statement in CHF for collective investments	<u>1,046,230</u>	<u>1,015,237</u>
Total asset management costs recorded in the income statement	<u>1,362,828</u>	<u>1,312,188</u>
as % of cost-transparent asset investments	0.20%	0.21%

Organs

Foundation boards

Employer representatives
Patrik Füg, Chairman
Claude Kirschner
Thomas Metzger
Ramona Roth

Employee representatives
Daniel Berger
Priska Gautschi
Marcel Kieseewetter
Ulrich Reinhard

Investment Committee

Claude Kirschner, Chairman
Patrik Füg
René Steiner
Dieter Neuschwander
Lukas Riesen, PPCmetrics AG, external consultant

Investment Experts / Investment Controlling

PPCmetrics AG, Badenerstrasse 6, 8021 Zürich

Asset management

Global Custodian
Credit Suisse, Zurich

Asset managers
Credit Suisse Asset Management - Fund Money Market
Credit Suisse Asset Management - Swiss bonds
Credit Suisse Asset Management - foreign currency bonds (hedged)
Credit Suisse Asset Management - Swiss Equities
Credit Suisse Asset Management - foreign equities (hedged)
Credit Suisse Asset Management - foreign equities Small Cap
Credit Suisse Asset Management - equities Emerging Markets
Swisscanto Real Estate Investment Fund
Assestimmo Real Estate Investment Fund
Cité du Levant - Real Estate

Administration

Susanne Baumberger, Head of Administration
Mina Sanfilippo, Administration

Auditors

Ernst & Young AG, Schanzenstrasse 4a, 3001 Bern

Actuarial expert

Stephan Gerber, SLPS AG, Zentweg 13, 3006 Bern

Supervisory body

Occupational Pension Scheme Register and Supervisory Authority
Canton Aargau (BVSA)

Actuarial audit

The actuarial audit is conducted by actuarial experts as at the end of each calendar year i.e. on the balance sheet date. The actuarial expert, Mr Stephan Gerber, SLPS AG, Berne, issued the report on the actuarial balance sheet as at 31 December 2019 on 14 April 2020 and found that the Personalvorsorgestiftung der Feldschlösschen-Getränkegruppe provided assurance on the balance sheet date that it was able to meet its actuarial obligations.

The regulatory actuarial provisions governing benefits and financing comply with the legal requirements.

The Personalvorsorgestiftung der Feldschlösschen-Getränkegruppe has no underfunding within the meaning of Art. 44 BVV2.

Report of the Auditors

Ernst & Young AG have conducted an audit of the financial statements, overall management, investment management and individual retirement accounts of the Personalvorsorgestiftung der Feldschlösschen-Getränkegruppe for the year ended 31 December 2019. In their opinion, these are in compliance with Swiss law, the Deed of Foundation and the Regulations. Ernst & Young AG recommend that the financial statements be approved.

Further information is available from

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