

## Information on BCV's policy for managing conflicts of interest regarding financial services

As a universal bank, Banque Cantonale Vaudoise offers a wide range of financial services to its clients. In carrying out its business activities, BCV may be faced with situations in which its own interests, the interests of its clients and/or the interests of its employees are in conflict. BCV manages potential or actual conflicts of interest in a professional and transparent way, in accordance with the law.

### I. Objectives

This document has been prepared for BCV's clients to inform them of BCV's policy for managing conflicts of interest. It has three objectives:

- to define the scope of the policy and the categories used,
- to set out the guidelines that BCV follows in identifying and managing potential or actual conflicts of interest,
- to set out the rules for informing clients of conflicts of interest when such conflicts cannot be avoided with reasonable certainty.

### II. Scope

This document applies to financial services provided, i.e. all wealth-management and institutional-asset-management activities, to market operations, and to securities account management and administration.

### III. Categories of conflicts of interest

Actual or potential conflict-of-interest situations can arise between:

- A. BCV's own interests and those of one or more clients,
- B. the interests of BCV employees and those of one or more clients,
- C. the interests of two or more clients.

BCV's pursuit of financial gains in line with the market is not in itself a behavior that generates a conflict of interest.

### IV. Guidelines

BCV applies the following guidelines in its efforts to identify and manage conflicts of interest:

- it undertakes to treat its clients equitably and honestly,
- it is committed to complying with all legal and regulatory requirements regarding the appropriate way of identifying and managing conflicts of interest;
- it applies the need-to-know principle, which means that an employee is provided only the information necessary to carry out his or her work;
- it sets up physical and electronic barriers that allow it to limit and control the flow of information between certain fields of activity, where applicable;
- it trains its staff to detect and manage situations that could give rise to a conflict of interest and asks them to be attentive to potential conflicts of interest, take all measures required to identify them and disclose them to their line managers, and manage conflicts of interest to the extent practicable;
- it expects its employees to not act against the interests of its clients;
- it takes measures deemed reasonable to ensure that the compensation and bonus system for employees is

consistent with best practices and in keeping with the overall objectives of this document.

For all other matters, BCV has issued internal directives concerning organizational measures, its employees' own dealings, the receipt and bestowing of favors and other benefits (e.g., gifts and invitations) by its employees, and the allotment of newly issued securities.

### V. Situations that may give rise to conflicts of interest

Measures to limit the risk of a conflict of interest have been put in place, particularly in order to manage the following situations:

- i. Incentives received by BCV from third parties (e.g., retrocessions and financial advantages)

When providing full advisory, occasional advisory, and execution-only services, BCV may receive distribution fees or similar payments for its activities relating to clients' investments. BCV informs its clients about the purpose of those fees and the applicable fee ranges in the document "Client information regarding commissions, retrocessions, and other benefits," which is available at [www.bcv.ch/legal/retrocessions](http://www.bcv.ch/legal/retrocessions).

When providing asset management services, BCV only invests in share classes that do not include retrocessions and so no longer receives compensation from third parties in this regard. The only exception is when a client specifically instructs BCV to acquire or hold in their portfolio a financial instrument that may generate distribution fees.

- ii. Investments in BCV products

For investment advice relating to individual transactions (occasional advisory service), BCV only recommends BCV products (investment funds and structured products) and does not recommend third-party products.

When providing asset management services and investment advice that takes the client's whole portfolio into account (full advisory service), BCV includes products available in the market and builds a specific investment universe for its clients, which may consist mainly of BCV products (investment funds and structured products) supplemented by third-party products. Like other financial institutions, therefore, BCV takes a hybrid approach to selecting financial products. Including BCV products alongside third-party products has a number of advantages, such as greater transparency with regard to the investments contained in the products and easier alignment of client portfolios with BCV's strategic choices. However, there are also potential drawbacks, such as an increased risk of conflicts of interest given that BCV may receive compensation under the management agreement entered into with the client as well as for its activity in relation to the financial instruments.

BCV products include not only financial instruments

issued by BCV or a BCV Group entity, but also financial instruments issued or offered by third parties with which BCV has economic ties (such as financial instruments guaranteed by BCV or for which BCV acts as manager or advisor). Conflicts of interest may arise where (i) BCV's role extends beyond distributing these financial instruments, for example by acting as manager, advisor, or custodian and (ii) BCV receives compensation in connection with the financial instrument. Taking the example of investment funds and structured products, a large proportion of the management fee (for investment funds) or structuring fee (for structured products) may be paid to BCV, which could lead BCV to favor its own financial instruments over third-party financial instruments.

To limit the consequences of these conflicts of interest, BCV has adopted the following measures with regard to its asset management and full advisory services:

1. It has put in place a centralized product selection process based on objective quantitative and qualitative criteria (performance, costs, and issuer quality). This process is carried out by BCV's Investment Policy department or by ad-hoc committees within BCV made up of specialist teams that are independent of client-facing teams. Where costs and performance are similar, BCV may favor BCV products.
2. It informs clients of the proportion of BCV products in their portfolio, for disclosure and transparency purposes.
3. It subscribes share classes of BCV products that offer preferential pricing (regardless of the subscription amount) relative to the subscriptions clients could make directly to the same products outside of a management or advisory agreement depending on the type of investor. At the client's request, BCV will provide information on the compensation deducted by BCV for all the products it has selected in the portfolio. That information is also available in the products' contractual and information documents (e.g., the fund agreement, prospectus, termsheet, KID, or PRIIP KID, as applicable).

iii. Employee transactions

Conflicts of interest may arise in relation to transactions carried out by BCV employees in their private capacity. BCV has implemented strict rules, processes, and internal oversight measures aimed at limiting conflicts of interest with BCV and/or its clients.

iv. Employee compensation (e.g., variable components, gifts, and invitations)

BCV has adopted a compensation policy designed to avoid risks arising from employee compensation. There is no direct incentive for employees to select BCV products over third-party products. Conflicts of interest can also arise where employees accept benefits as part of managing a client relationship. BCV has clear, restrictive instructions for such situations.

v. Outside positions held by employees

Conflicts of interest may exist in relation to outside positions held by BCV employees in their private capacity. BCV has rules and procedures to ensure that conflicts of interest arising from such outside positions are identified and either avoided or resolved.

vi. Shareholder engagement

As part of BCV's engagement with listed companies as a socially responsible investor, conflicts of interest may arise where BCV, via its asset management department, invests in those same companies while being in possession of internal information relating to those companies as a result of its shareholder engagement. To avoid such conflicts, BCV has adopted organizational measures by which privileged information obtained through shareholder engagement is ringfenced internally to ensure confidentiality.

vii. Allotments during a primary issue

A client may be placed at a disadvantage without a valid reason, especially during primary issues. To avoid such situations, BCV has adopted internal allotment rules and criteria in relation to subscriptions.

viii. Allocations when bulk orders are placed

A client may be placed at a disadvantage without a valid reason when partial fills of bulk orders must be allocated. BCV has adopted rules for bulk orders covering the various situations that may arise: partial fills are allocated using the same proportions as the bulk order, and rules are in place for when investments cannot be allocated proportionally.

ix. Setting the price in cross trades between two BCV clients

The price of a trade may be set without reference to market prices and may put one client at a disadvantage relative to another client. BCV has an internal procedure intended to protect the interests of the various clients concerned.

## VI. Communicating conflicts of interest

Where the organizational or administrative measures taken pursuant to Section IV above in order to prevent conflicts of interest from harming clients' interests are not enough to ensure with reasonable certainty that the risk of harm to clients' interests will be avoided, BCV will handle the conflict of interest by refusing to provide the corresponding service or by informing the client or third party concerned, in an appropriate manner, of the existence and nature of the conflict of interest and of the resulting risks.

The information will be provided on a durable medium and with sufficient detail, given the nature of the client, so that the client may be able to make an informed decision about the service associated with the conflict of interest.

## VII. Amendment of this advisory

BCV reserves the right to amend this document at any time and in any manner it deems appropriate, including by updating it on its website at [www.bcv.ch/conflictsinterest](http://www.bcv.ch/conflictsinterest).