

# Articles of Association of Banque Cantonale Vaudoise

May 2020





## **I. Name, duration, registered office, scope of operations and purpose**

### **Article 1 Name, duration**

Established by the Vaud Cantonal Parliament (the Grand Conseil du Canton de Vaud, hereinafter “the Cantonal Parliament”), by Order in Council of 19 December 1845, and governed by the Cantonal Act Governing the Organization of Banque Cantonale Vaudoise of 20 June 1995, as amended on 25 June 2002, 30 January 2007 and 2 March 2010 (hereinafter “the Cantonal Act”), Banque Cantonale Vaudoise (hereinafter “the Bank”) is a company incorporated under public law (*société anonyme de droit public*) not subject to the Code of Obligations, pursuant to Section 763(2) of the Code of Obligations.

As a bank active in securities trading, it is subject to Swiss federal law governing such activities.

Except as otherwise provided by the Cantonal Act or these Articles of Association, the Code of Obligations shall be supplementally applicable to the Bank, subject to federal banking legislation.

The duration of the Bank is unspecified.

### **Article 2 Registered office**

The Bank’s registered office is in Lausanne. The Bank may establish subsidiaries, branch offices, retail outlets and representative offices in the Canton of Vaud, elsewhere in Switzerland and abroad.

### **Article 3 Scope of operations**

The Bank shall conduct its business primarily in the Canton of Vaud; in the interests of the cantonal economy, it may do business elsewhere in Switzerland and abroad.

### **Article 4 Purpose**

The purpose of the Bank is to operate as a full-service bank with a community focus. In the furtherance of this purpose, it shall contribute to the development of the private sector and to financing the work of public authorities and public-sector entities, throughout the various regions of the Canton. It shall also contribute towards meeting mortgage-lending requirements in the Canton. It shall manage risk in accordance with the customary rules of prudence.

In its role as a Cantonal Bank, it shall have particular concern for the development of the Canton's economy, in keeping with the principles of economically, environmentally and socially sustainable development.

Within the scope of its purpose, the Bank shall engage in banking operations, for its own account or for the account of third parties, that include but shall not be limited to:

- a) accepting all customary forms of bank deposits, including savings deposits;
- b) acting as legal depositary for funds;
- c) granting term loans and advances as well as call loans and advances, which may be secured or unsecured, in particular via mortgage-related risk mitigants;
- d) discounting and collecting bills of exchange;
- e) granting securities and guarantees;
- f) carrying out securities transactions, for its own account and the account of third parties, in particular, issuing, buying, selling, lending and borrowing certificated securities and book-entry securities and other financial instruments (all types of derivatives, structured products, warrants, etc.); buying and selling foreign exchange, currencies, precious metals, goods and commodities;
- g) opening documentary credits and paying and collecting letters of credit;
- h) carrying out fiduciary transactions;
- i) recording, managing and acting as custodian for securities, rights and valuables, managing assets and pension funds, and renting safe deposit boxes;
- j) engaging in firm-commitment underwriting of debt and equity issues; participating in issues and financial operations of private-sector companies as well as public authorities and other public-sector entities, individually or as part of a syndicate, and in operations involving other financial instruments;
- k) creating subsidiaries and taking permanent or temporary interests in commercial, industrial and financial companies and banks, including, where appropriate, participating in the management of such companies;
- l) acting as subscription agent and custodian bank for investment funds;

- m) buying and selling real estate or the share capital of real-estate companies;
- n) engaging in any operation relating to banking or finance, including but not limited to the field of bancassurance.

The Bank shall cooperate in the work of the Association of Swiss Cantonal Banks.

## **Article 5 Caisse d'Epargne Cantonale Vaudoise**

The Bank is responsible for the administration and management of the Caisse d'Epargne Cantonale Vaudoise, established by the Cantonal Parliament by Order in Council of 26 June 1848 and presently governed by the Order in Council of 20 June 1995.

## **II. Share capital, authorized and conditional capital, subscription rights and shares**

### **Article 6 Share capital**

The share capital of eighty-six million sixty-one thousand nine hundred Swiss francs (CHF 86,061,900) is divided into eighty-six million sixty-one thousand nine hundred (86,061,900) fully paid-up registered shares with a par value of one Swiss franc (CHF 1) per share.

### **Article 7 Authorized and conditional capital**

The Bank may from time to time increase its authorized or conditional capital in the form prescribed by the Code of Obligations. If the preferential rights of shareholders are excluded, such action must be properly justified under the Articles of Association; if convertible bonds or warrant bonds are issued, provision for compliance with market conditions shall suffice.

### **Article 8 Subscription rights**

When new shares are issued, shareholders shall be entitled to the newly issued securities in proportion to their existing shareholdings.

Preferential rights must be exercised by shareholders during the subscription period, failing which the rights shall lapse.

Shareholders' preferential rights may be excluded on objectively determined grounds, provided that such exclusion does not result in unequal treatment or in harm that is not justified by the purpose of the transaction. Valid grounds shall include the acquisition of a company or of part of a company or interests in companies, an equity interest in the Bank taken by the Executive Board, management and staff, and the issue of convertible bonds and warrant bonds, in compliance with market conditions.

## **Article 9 Shares**

The Bank shall issue its shares in the form of individual instruments, certificates, global certificates or book-entry securities within the meaning of the Code of Obligations and in the form of securities held with an intermediary within the meaning of the Federal Act on the Custody and Transfer of Securities Held with an Intermediary (hereinafter the "LTI"). The Bank may withdraw shares issued in the form of "securities held with an intermediary" from such a system. Shares are indivisible; the Bank shall recognize only one owner per share.

In accordance with applicable law, the Bank is free at any time to convert its shares issued in one of the forms mentioned above into another form, without the shareholders' consent. It shall bear the costs of such conversion.

If the shares are issued in the form of individual instruments, certificates or global certificates, they shall be signed by the Chair of the Board of Directors and the Bank's CEO. The signatures may be facsimile signatures. With the shareholder's consent, the Bank may cancel the certificates that have been issued to the shareholder.

Shareholders are not entitled to have their shares converted from one form to another.

The Bank shall keep a register of all registered shares and all book-entry shares.

The Shareholders' Meeting may convert all or part of the registered shares into bearer shares and vice versa.

## **Article 10 Dematerialized registered shares**

Shareholders cannot demand that the Bank print and deliver certificated shares. However, shareholders who are recorded in the share register are entitled to a written confirmation of the number

of shares that they hold. This confirmation, which will serve solely as proof, is not a security.

Uncertificated registered shares and associated rights may only be transferred by assignment. The Bank must be notified of the assignment for it to be valid.

Uncertificated registered shares and associated rights administered by a bank under a mandate from a shareholder may only be transferred by such bank. Furthermore, such shares and rights may only be pledged in favor of that bank; BCV need not be notified of such operations.

In respect of other matters, subject to Article 13 below and to the extent that it applies pursuant to Section 685f of the Code of Obligations, the transfer and pledge of securities held by an intermediary based on registered shares are subject to the LTI.

## **Article 11 Purchase of own shares**

The Bank may hold its own shares in the cases provided for under Sections 659 et seq. of the Code of Obligations, and in order to cover options and convertible bonds issued by the Bank.

The Bank may also hold its own shares where the par value represents more than ten per cent (10%) of its share capital if such shares are acquired pursuant to a decision to reduce the Bank's capital.

Voting rights attached to own shares held by the Bank and any associated rights shall be suspended.

## **Article 12 Share register**

Shareholders' names and addresses shall be recorded on the Bank's share register.

The Bank shall recognize as shareholders only those persons and entities validly entered in the shareholder register. Only those persons and entities whose names appear in the register may exercise the rights attached to BCV shares, subject to the restrictions provided herein.

Shareholders without the right to vote may not exercise such a right or any other associated right. Shareholders with the right to vote may exercise all rights attached to the shares.

Registered shareholders shall notify the Bank of any change of address. Until such notice is given, all correspondence shall be deemed to have been validly communicated when sent to the last registered address.

### **Article 13 Transfers of registered shares**

The transfer of any registered share and its entry in the share register shall be subject to approval by the Board of Directors. An acquirer of BCV shares shall be deemed a shareholder without voting rights until recognized by the Bank as a shareholder with voting rights, upon a request being made to this effect on the appropriate form. If the Board of Directors does not reject the request within 20 days, the acquirer shall be recognized as a shareholder with voting rights.

The Board of Directors may refuse to register an acquirer as a shareholder with voting rights:

- a) in respect of a shareholding exceeding five percent (5%) of the Bank's share capital held by a single shareholder or group of shareholders as defined by the Federal Act on Financial Market Infrastructure (FinMIA). This limitation shall also apply to the subscription or acquisition of shares through the exercise of subscription rights, option rights, or conversion rights attached to certificated securities issued by the Bank or third parties; that limit shall not apply to the Canton of Vaud or any third party to which the Canton of Vaud sells part of its shareholding, or to the takeover of a company or part of a company;
- b) if a shareholder does not expressly state, when requested to do so, that he/she has acquired the shares in his/her own name and for his/her own account;
- c) if and so long as his/her recognition could prevent the Bank from furnishing proof of the shareholder base required under Swiss law.

The Bank may, after hearing the person concerned, remove any entries in the share register made on the basis of false representations made by the acquirer. The acquirer shall be informed forthwith.

### III. Governing bodies of the Bank

#### Article 14 Governing bodies

The governing bodies of the Bank are as follows:

- A) Shareholders' Meeting;
- B) Board of Directors;
- C) Executive Board;
- D) Internal Audit;
- E) Auditors.

#### A) Shareholders' Meeting

#### Article 15 Powers

The Shareholders' Meeting, chaired by the Chair of the Board of Directors, shall have the inalienable right to:

- a) amend the Articles of Association, in particular, by resolution to decide to increase the share capital, except in cases otherwise reserved to the Board of Directors by the Code of Obligations, subject to approval by the *Conseil d'Etat vaudois* (hereinafter the "Cantonal Government");
- b) appoint and remove half of the members of the Board of Directors, pursuant to Article 12(1)(c) of the Cantonal Act;
- c) appoint the Auditors, upon the recommendation of the Board of Directors;
- d) approve the Annual Report and financial statements (including consolidated financial statements) and determine the appropriation of net profit shown in the income statement, in particular to fix the dividend after consideration of the Auditors' Report;
- e) accept/reject the "discharge" motion approving the actions of the members of the Board of Directors and the Executive Board for the financial year concerned;
- f) make recommendations on the dissolution of the Bank;
- g) resolve all matters reserved to it by the Cantonal Act and the Articles of Association, or submitted to it by the Board of Directors.

## **Article 16 Meetings**

Shareholders' Meetings shall be convened by the Board of Directors at least once a year.

The Annual Meeting shall be held within six months of financial year end at the headquarters of the Bank or at any other place in the Canton of Vaud as may be determined by the Board of Directors.

Special Shareholders' Meetings may be convened as often as required.

One or more shareholders together representing no less than one-tenth of the share capital may also request the convening of a Shareholders' Meeting. Shareholders representing shares with an aggregate par value of 30,000 Swiss francs may request that an item of business be included on the agenda. The convening of a Shareholders' Meeting and the inclusion of an item of business on the agenda must be requested in writing, stating the business to be discussed and the motions to be submitted.

Any individual motion requiring a vote shall be submitted to the Chair of the Board of Directors in writing at least 45 days prior to the Meeting.

If necessary, a Shareholders' Meeting may be convened by the Auditors.

## **Article 17 Notice of meetings and agenda**

The Shareholders' Meeting shall be convened at least 20 days prior to the appointed date, by a notice published in the "Feuille officielle suisse du commerce" and in accordance with Article 38 of these Articles. Shareholders whose names appear in the share register may be notified of a meeting by letter, or with their consent, by any appropriate electronic means.

The notice shall specify the items of business to be included on the agenda and any motions of the Board of Directors and shareholders who requested the convening of the Meeting or the inclusion of an item of business on the agenda.

Motions to amend the Articles of Association, the financial statements of both the parent company and the Group, the Annual Report, the Auditors' Report and motions concerning the appropriation of available earnings shall be made available for

inspection by the shareholders at the registered office of the Bank at least 20 days prior to the Shareholders' Meeting. Such availability shall be mentioned in the notice of the meeting.

No resolution may be adopted on any items of business that have not been included on the agenda, other than on a motion to call a Special Shareholders' Meeting; Sections 697a to 697h of the Code of Obligations shall not apply. It shall not be necessary to include on the agenda any motions or debates that are not required to be put to a vote.

## **Article 18 Voting rights**

Each share entitles the holder to one vote. No shareholder shall be entitled to vote at a Shareholders' Meeting either personally or by proxy, or to exercise associated rights, unless entered in the shareholder register.

Shareholder status and the right to appoint a proxy shall be determined on the basis of the share register on the 20<sup>th</sup> day prior to the Shareholders' Meeting.

Sections 689c to 689e of the Code of Obligations shall not apply.

## **Article 18a Independent Proxy**

The Shareholders' Meeting shall elect an Independent Proxy for the institutional representation of shareholders. Any individuals and legal entities as well as any partnerships are eligible.

The Independent Proxy's term of office shall expire at the end of the following Annual Meeting or, if the Independent Proxy is removed by the Shareholders' Meeting, the Independent Proxy's term of office shall expire at the end of any Shareholders' Meeting. An Independent Proxy may be reelected.

The Independent Proxy's true or apparent independence must not be impaired; Section 728(2) to (6) of the Code of Obligations shall apply mutatis mutandis.

The Board of Directors shall ensure that shareholders have an opportunity to issue to the Independent Proxy:

- a) specific or general instructions on any motion mentioned in the meeting notice and related to the items on the agenda; and

- b) general instructions on any motion not mentioned in the meeting notice, but related to the items on the agenda, as well as on any new items within the meaning of Section 700(3) of the Code of Obligations.

The Board of Directors shall further ensure that powers of attorney and instructions may be issued to the Independent Proxy electronically. The Board of Directors shall determine the procedure and deadlines applicable.

Powers of attorney and instructions can only be given for the following Shareholders' Meeting.

The Independent Proxy shall vote in accordance with the shareholders' instructions; in the absence of specific or general instructions, the Independent Proxy shall abstain.

If the Bank has no Independent Proxy or the Independent Proxy is unable to be present, the Board of Directors shall appoint an Independent Proxy for the next Shareholders' Meeting. Such Independent Proxy shall be authorized and bound by any powers of attorney and instructions given to the Independent Proxy's predecessor.

Representation of shareholders by a member of a governing body of the Bank or by a custodian is prohibited.

## **Article 19 Quorum, resolutions**

The Shareholders' Meeting shall have the power to transact business irrespective of the number of shares represented.

Resolutions put to the vote shall be decided by an absolute majority of votes attached to the shares represented; in the event of a tie, the Chair shall have the casting vote. Shares held by the Canton do not vote on the election of members of the Board of Directors carried out pursuant to Article 15 (b).

## **Article 20 Proceedings at meetings**

Shareholders' Meetings shall be presided over by the Chair of the Board of Directors. If at any Shareholders' Meeting the Chair is absent or unable to take the chair, one of the Vice Chairs shall preside or, if they are absent or unavailable, then another member of the Board shall preside; the Secretary of the Board of Directors shall take the minutes.

In general, shareholders shall vote by way of electronic voting, but a board of vote counters will be maintained in case, for example, the electronic voting system were to fail. In the event of such failure, voting shall be by show of hands, unless the Shareholders' Meeting or the person presiding over it decides to hold a secret ballot. The vote counters shall be chosen in advance by the Board of Directors; they must not be members of a governing body of the Bank.

Minutes shall be kept, signed by the Chair and the Secretary, recording resolutions and appointments and any proceedings required by the shareholders to be entered in the minutes; extracts from the minutes shall bear the same signatures as the minutes. In respect of other matters, Section 702 of the Code of Obligations shall not apply.

## **B) Board of Directors**

### **Article 21 Composition**

The Bank shall be managed by a Board of Directors consisting of seven, nine or eleven members (determined, in consultation with the Cantonal Government, by resolution of the Board of Directors), appointed or elected as follows:

- a) a Chair, appointed by the Cantonal Government;
- b) one half of the members appointed by the Cantonal Government;
- c) one half of the members elected by the Shareholders' Meeting; the Canton shall abstain from voting in any such elections.

The composition of the Board of Directors shall have the attributes required for it to perform its duties.

The members appointed by the Cantonal Government shall be provided with a mission statement. They shall brief the Cantonal Government annually and whenever necessary about their activities in a written report.

The Cantonal Government shall appoint a Vice Chair or Chairs, upon the recommendation of the Board of Directors.

The Cantonal Government shall appoint the Secretary of the Board, upon the recommendation of the Board of Directors; the Secretary shall also act as Secretary of the Shareholders' Meeting.

## **Article 22 Term of office**

The Chair and members of the Board of Directors shall be appointed to office for a term of four years. Their term of office may be renewed, but the total term may not exceed 16 years.

They are required to step down at the end of the calendar year in which they reach the age of 70. Their acts shall be approved via a “discharge” motion at the following Shareholders’ Meeting.

Members of the Board of Directors must be shareholders of the Bank, subject also to the provisions of Section 707(3) of the Code of Obligations.

## **Article 23 Duties of office**

No member of the Board of Directors may, without the Board’s approval, be a partner, board member, auditor, director or employee of other banks, other than the Swiss National Bank. Members of the Board of Directors may not perform duties at the Bank other than those derived from their office.

The Chair of the Board of Directors shall not engage in activities that would involve the Bank in a conflict of interest. Each member of the Board shall manage his/her personal and professional affairs so as to avoid conflicts of interest with the Bank.

Within the limits of Article 23(2) of these Articles, the maximum number of positions in the management or on the boards of directors of legal entities other than the Bank that must be recorded in the Commercial Register or a similar register abroad that may be held by members of the Board of Directors is 15, five of which may be held in publicly traded companies. These limits do not apply to positions at companies within the Group, companies in which the Bank holds a material interest, real estate companies, pension funds, associations or foundations or unpaid positions. Specific banking regulations remain applicable. Positions held in several companies that are part of the same group count as a single position.

Members of the Board of Directors must inform the Board of Directors of their assignments and positions in other companies on their own initiative; the Board of Directors shall ensure that there are no conflicts of interest.

## Article 24 Powers of the Board of Directors

The Board of Directors establishes the Bank's general policy.

It shall supervise the performance of the missions defined in Article 4 of the Cantonal Act and report to the Cantonal Government, which is responsible for ensuring such performance pursuant to paragraph 4 of that Article, and to the Shareholders' Meeting. Communication procedures between the Cantonal Government and the Bank shall be regulated by an agreement. Section 12(2bis) of the Cantonal Act shall also apply.

It shall direct the Bank's affairs at the highest level and issue the necessary instructions. It shall supervise the management of the Bank and the persons responsible for such management.

It shall have the following inalienable powers:

- a) to ensure compliance with the Cantonal Act, Articles of Association and regulations, and implementation of resolutions and directives of the Shareholders' Meeting;
- b) to determine the organization of the Bank and define powers by means of regulations and competency charts;
- c) to establish and periodically review the Bank's policy on investment, growth and risk management;
- d) to ensure that adequate financial reporting and planning systems are implemented and maintained to meet the Bank's requirements, as well as satisfactory internal and external auditing systems;
- e) to appoint the audit firm, within the meaning of applicable banking legislation, and recommend that it also be appointed as the Auditors, within the meaning of the Code of Obligations, by the Shareholders' Meeting;
- f) to prepare the reports, accounts and other documents and proposals that are to be presented to the Shareholders' Meeting;
- g) to submit recommendations to the Cantonal Government for the appointment of its Vice Chair or Chairs and its Secretary;
- h) to submit recommendations to the Cantonal Government for the appointment and removal of the Chair and to appoint and remove the members of the Executive Board;

- i) to set terms and conditions for the appointment of its Chair, in conjunction with the Cantonal Government, subject to the authority of the Shareholders' Meeting over issues of compensation;
- j) to appoint and remove the head and members of the Internal Audit;
- k) to decide to open and close branch offices and to create subsidiaries.

In addition, it shall carry out all duties that have not been assigned to the Bank's other governing bodies pursuant to the Cantonal Act, the Articles of Association or the regulations.

It may delegate some of its responsibilities to committees established from among its members, except as otherwise provided by law, and may charge such committees with the preparation or implementation of Board resolutions.

The Board of Directors may instruct such committees to supervise certain matters on its behalf.

The Board of Directors shall ensure that it is kept informed.

It shall also ensure that shareholders are properly and fairly informed about the Bank's situation to the greatest extent possible consistent with lawful compliance with business-related non-disclosure requirements, banking confidentiality and securities laws. In particular, it shall reach an agreement governing disclosure of information to the Canton of Vaud and ensure compliance with Article 20(a) of the Cantonal Act.

## **Article 25 Proceedings at Board meetings**

The Board of Directors shall meet as often as business requires, and Board meetings may be convened by the Chair, or at the request of three of its members, or the Executive Board or the Auditors. The Board must meet at least once a quarter.

The Board of Directors may only validly transact business if a majority of its members is present, except if required to recognize a capital increase and to amend the Articles of Association accordingly.

The Chair of the Board shall preside at Board meetings. If at any meeting the Chair is absent or unable to take the chair, one of the

Vice Chairs shall preside or, if they are absent or unavailable, then another member appointed by the Board shall preside.

Resolutions shall be adopted by an absolute majority of votes of the members present, and in the event of a tie, the Chair shall have the casting vote.

The vote shall be held by secret ballot where requested by three of the members present.

Urgent resolutions may be validly adopted in writing, by fax or by other means of communication, provided none of the members object. These resolutions shall be recorded in the minutes of the next meeting.

The Board of Directors may appoint external committees and establish their duties.

## **Article 26 Minutes**

Minutes shall be kept of the meetings of the Board and shall be signed by the Chair and the Secretary.

Extracts of the minutes shall bear these same signatures.

## **C) Executive Board**

### **Article 27 Composition**

The Executive Board shall consist of a Chief Executive Officer (CEO) appointed by the Cantonal Government on the recommendation of the Board of Directors, and members appointed by the Board of Directors.

### **Article 28 Term of office**

The CEO and members of the Executive Board shall resign from office at the end of the calendar year in which they reach the age of 65.

The employment contracts of members of the Executive Board, including the CEO, shall be of indefinite duration. The notice period for termination by either side shall not exceed 12 months.

## **Article 29 Duties of office**

The CEO and members of the Executive Board shall devote all their time to the Bank and must not engage in any activity involving a conflict of interest with the Bank. With the consent of the Board of Directors, they may accept assignments or positions in commercial companies when this is in the Bank's interest. The Board of Directors shall verify and attest to the absence of any conflict of interest.

Within the limits of Article 29(1) of these Articles, the maximum number of positions on the boards of directors of legal entities other than the Bank that must be recorded in the Commercial Register or a similar register abroad that may be held by members of the Executive Board is five, two of which may be in publicly traded companies. These limits do not apply to positions at companies within the Group, companies in which the Bank holds a material interest, real estate companies, pension funds, associations or foundations or to unpaid positions. Specific banking regulations remain applicable. Positions held in several companies that are part of the same group count as a single position.

## **Article 30 Obligations and powers**

The Executive Board shall be responsible for managing the business of the Bank and generally representing it in its dealings with third parties. It shall implement and ensure implementation of the Group's strategy approved by the Board of Directors.

The organization, powers, rights and obligations of the Executive Board are set out in the Bank's organizational rules (*règlement d'organisation*).

### **D) Compensation of the Board of Directors and the Executive Board**

## **Article 30a Compensation, Promotions and Appointments Committee**

The Compensation, Promotions and Appointments Committee, made up of at least three members of the Board of Directors appointed by the Board, shall have the following duties:

- a) to prepare and issue recommendations on the decisions of the Board of Directors on matters of compensation, promotions and appointments;

- b) to prepare and issue recommendations on the strategic decisions of the Board of Directors on human resources matters;
- c) to review the periodic human resources reports.

The organization and functioning of the Compensation, Promotions and Appointments Committee is described in a set of rules adopted by the Board of Directors.

The Board of Directors may give the Committee additional duties.

### **Article 30b Compensation system**

Members of the Board of Directors shall receive fixed compensation in the form of fees. The Chair may also receive annual performance-based compensation.

The Board of Directors shall set itself objectives each year, taking into account the goals set forth in these Articles, as well as the Bank's strategy and risk policy. Achievement of these objectives and the Board of Directors' evaluation of the Chair's work during the past year are used to determine the Chair's annual performance-based compensation.

Compensation of the Executive Board may include a base salary, an annual performance-based component, a long-term performance-based component, and ownership of Bank shares. It may also include seniority bonuses, as is the case for all of the Bank's employees

The Executive Board's annual performance-based compensation is determined each year by the extent to which both qualitative and quantitative business, operational and financial objectives, set and evaluated by the CEO for the members and by the Board of Directors for the CEO, have been met. The objectives are set on the basis of business and operating strategies, as well as the goals set forth in these Articles and the Bank's risk policy. The evaluation used to determine the annual performance-based compensation is based on the extent to which the objectives set have been met; the objectives are assessed globally. Part of this compensation is payable in the form of shares, in accordance with the terms set by the Board of Directors.

Each year, the Executive Board's long-term performance-based compensation shall include a new multi-year plan adopted by the Board of Directors with quantitative and qualitative strategic and financial objectives, taking into account the business strategy,

the Bank's goals as set forth in these Articles, its ongoing financial success and its risk policy. The compensation granted is then paid exclusively in the form of Bank shares on the basis of the extent to which the defined objectives have been met. The number of shares allocated for full achievement of the objectives (100%) is reported to each plan member when the plan commences.

Under the employee share ownership program, members of the Executive Board may be entitled to subscribe shares. The Board of Directors shall determine the allocation, number and price of shares.

With the exception of taxable entertainment expenses, payments to cover, on an actual or lump-sum basis, the expenses and costs arising from the duties of members of the Board of Directors and the Executive Board do not constitute compensation.

Compensation paid to members of the Executive Board for their work as members of the boards of directors, the management or the advisory boards of external companies rests with the Bank.

The Bank may grant loans and credits to members of the Board of Directors and the Executive Board on the same terms and conditions as those granted to clients. Members of the Executive Board, who have an obligation in principle to borrow from the Bank, are entitled to the same terms and conditions as those granted to all other personnel. These conditions are described in the Annual Report.

### **Article 30c Approval of compensation**

The Shareholders' Meeting shall approve the compensation of the Board of Directors and the Executive Board separately each year, as a rule at the Annual Meeting.

The Board of Directors shall propose the following to the Shareholders' Meeting for the Board's compensation:

- a) the total maximum amount of the fixed compensation up to the following Annual Meeting;
- b) the annual performance-based compensation of its Chair in respect of the past financial year.

The Board of Directors shall propose the following to the Shareholders' Meeting with regard to the compensation of the Executive Board:

- a) the maximum total amount covering the fixed compensation, taxable entertainment expenses, employee share ownership and any seniority bonuses up to the next Annual Meeting;
- b) the maximum total number of shares available for long-term performance-based compensation under the multi-year plan offered during the current financial year;
- c) the total amount of the annual performance-based compensation in respect of the past financial year.

The proposal concerning the total maximum number of shares for long-term performance-based compensation shall indicate the term of the plan and the value of the shares. Fluctuations in share prices after the Shareholders' Meeting are not taken into account. The actual payment of the shares under the plan is not subject to new approval.

If the Shareholders' Meeting rejects the compensation proposed by the Board of Directors, the Board may reformulate proposals to the Shareholders' Meeting, or convene a new Shareholders' Meeting in accordance with these Articles.

If the total amount approved pursuant to Article 30(c)(3)(a) above is insufficient to cover until the next Annual Meeting the compensation of members of the Executive Board appointed after the approval of compensation, the Bank shall have an additional amount for their compensation. The additional amount shall be determined on the basis of the number and duties of the new members. For any new CEO, it includes a maximum of twenty percent (20%) more than the preceding CEO's compensation. For any other new member, it includes a maximum of twenty percent (20%) more than the average compensation of the members of the Executive Board (excluding the CEO). The compensation authorized hereby in respect of the additional amount is not subject to approval by the Shareholders' Meeting. The additional amount shall not cover the items of compensation referred to in Article 30(c)(3)(b) and (c) above.

#### **Article 30d Unauthorized compensation**

Payment of the following compensation to members of the Board of Directors or the Executive Board is not authorized:

- a) severance pay, even where contractually agreed upon, it being understood that compensation due until the end of the contractual relationship is authorized;
- b) advance payments;
- c) provisions for the transfer or takeover of all or part of a company by the Bank or by companies controlled directly or indirectly by the Bank.

Payment of such compensation to members of the Board of Directors or the Executive Board of the Bank by companies directly or indirectly controlled by the Bank is not authorized.

### **Article 30e Transparency of compensation**

The information on compensation provided in the Annual Report, pursuant to Section 20(a)(2) of the Cantonal Act, replaces compensation reports.

The decision of the Shareholders' Meeting to approve the annual financial statements is without prejudice to its decision to approve compensation.

### **E) Auditing bodies**

#### **Article 31 General**

Audits shall be performed by the Internal Audit and the Auditors.

#### **Article 32 Internal Audit**

The Internal Audit shall perform regular audits of all the Bank's operations.

The head of Internal Audit and its members shall be appointed by the Board of Directors. Members shall be senior managers with the status of chief auditor or an equivalent position.

Article 29 shall apply mutatis mutandis to the head and members of the Internal Audit.

Its rights, obligations and powers shall be set out in regulations approved by the Board of Directors.

### **Article 33 Auditors**

The Auditors shall perform the audit required by the Code of Obligations.

Auditors shall be appointed by the Shareholders' Meeting, on the recommendation of the Board of Directors. Their independence must be ensured by a regular rotation of persons managing the audit and of the auditing entity itself.

## **IV. Financial statements**

### **Article 34 Financial statements**

The financial year shall end on 31 December of each year.

Annual and interim financial statements, including consolidated accounts, shall be prepared in accordance with the Code of Obligations and federal banking legislation.

Net profit after deduction of overheads, taxes, interest and losses, and any necessary depreciation and amortization, shall be made available to the Shareholders' Meeting for appropriation, as provided by law.

Dividend payment dates shall be set by the Board of Directors. Any dividend that has not been claimed within five years of falling due shall automatically become null and void.

## **V. Supervision by the Swiss Financial Market Supervisory Authority (FINMA)**

### **Article 35 Supervision by the Swiss Financial Market Supervisory Authority (FINMA)**

The Bank shall be subject to supervision by the Swiss Financial Market Supervisory Authority (FINMA), pursuant to the Federal Act on Financial Market Supervision (LFINMA).

## **VI. Dissolution and Liquidation**

### **Article 36 Dissolution**

The Bank may be dissolved by an Order in Council, upon the recommendation of the Shareholders' Meeting.

### **Article 37 Liquidation**

If the Bank should be liquidated, any assets remaining after payment of all outstanding debts shall be distributed among the shareholders in proportion to the par value of shares held.

## **VII. Notices**

### **Article 38 Publication**

In addition to the provisions of Article 17 above, notices shall be published in the form prescribed by the Board of Directors, subject to applicable legislation.

## **VIII. Transitional provisions and entry into force**

### **Article 39 Transitional provisions**

Provisions on the introduction of registered shares, pursuant to Articles 6 to 13 above, shall take effect no later than six months after the entry into force of these Articles.

Subject to the foregoing paragraph, these Articles shall take effect on the same date as the Cantonal Act of 25 June 2002.

Approval of the Shareholders' Meeting is not required for payment by the Bank of the long-term performance-based compensation under the multi-year plans that are in place when Article 30(c) takes effect on 1 May 2014, i.e., the plans ending on 31 December 2014, 31 December 2015 and 31 December 2016.

The foregoing are the Articles of Association as amended by the Annual Shareholders' Meeting held on 30 April 2020.

Lausanne, 27 May 2020.

THE ABOVE TEXT IS A NON-BINDING TRANSLATION OF THE ORIGINAL FRENCH DOCUMENT ENTITLED "STATUTS DE LA BANQUE CANTONALE VAUDOISE." ONLY THE ORIGINAL FRENCH TEXT IS AUTHORITATIVE.





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