

INTRODUCTION

Under Article 20 paragraph 2 of the General Conditions of Banque Cantonale Vaudoise (hereinafter "BCV"), when providing services of any kind, particularly in respect of asset investments, BCV may receive benefits, notably in the form of retrocessions, commissions, or any other services from third parties. The Client agrees that such benefits will accrue to BCV as compensation.

The purpose of this advisory is to clarify the scope of that paragraph of BCV's General Conditions.

1. GENERAL POINTS

In order to offer products and services that meet the needs of their clients, financial intermediaries (including banks) negotiate the conditions and fees that they pay to or receive from their counterparties. To increase their revenues and grow their client base or distribute their products and services, they pay benefits, particularly in the form of retrocessions, commissions, or other services. Similarly, to reduce the cost of services that are billed to clients, they receive such benefits as part of the services delivered to their clients or the financial products acquired on their clients' behalf. Although volume discounts, in the form of preferred rates or retrocessions based on the volume actually realized with a counterparty, are influenced by the volume generated by all of a financial intermediary's clients, these "benefits" paid or received by the financial intermediary cannot, as a general rule, be allocated to its clients individually.

In certain fields, such as asset investments or commissions on insurance policies, the financial intermediary may be paid by a third party for its activity as a broker. This could generate conflicts of interest that the financial intermediary must then manage so as not to impair the quality of the service that its clients are entitled to expect of it (see "Information on BCV's policy for managing conflicts of interest," <https://www.bcv.ch/en/Legal-information/Trading-floor-and-securities-accounts>), even though such compensation accrues to the financial intermediary because it brokered the transaction.

Finally, it is possible that the financial intermediary will be compensated by a third party in direct connection with a management agreement conferred by a client and that this compensation will be linked to the management agreement. In such cases, Article 400 paragraph 1 of the Swiss Code of Obligations is applicable and:

- either the client agrees that the financial intermediary can keep the compensation, and the rate established by the financial intermediary takes this compensation into account,
- or the financial intermediary is able to determine the amount of the compensation per client and is thus able to return it to the client, adjusting its rate accordingly.

2. BCV'S POLICY

The commissions periodically charged on investment fund assets as compensation for management, securities custody, marketing, and distribution are reported to the investor in the product prospectus and/or fund agreement, which will also indicate any duties performed by BCV or another group entity. Any total expense ratio will be indicated in the management company's annual and half-year reports.

Part of the commission charged by the management company may be paid to its distribution partners (including BCV) as compensation, in the form of a distribution fee.

When BCV distributes structured products issued by third parties, it may receive compensation in the form of a discount on the selling price to clients.

In certain products created by BCV, including certificates on a basket of shares, bonds, or investment funds, a payment from the underlying asset may be made during the life of the product in the form of a dividend, an interest coupon, a distribution, or a retrocession on the management fees for the underlying investment funds. If such is the case, the documentation accompanying the product will indicate whether these payments are reinvested in the product or distributed to the client in the form of a coupon or included in the price in another way.

In general, the documentation accompanying structured products indicates whether BCV (or another entity in the group) could receive compensation or a commission in connection with the product.

In establishing the rates applicable to its clients, BCV takes into account the total benefits that it may pay or receive in connection with its activity. It is for that reason that clients agree that such benefits received from a third party will accrue to BCV (Article 20 paragraph 2 of BCV's General Conditions), and they irrevocably agree not to claim these benefits.

In order to avoid potential conflicts of interest, BCV ensures that investment decisions made on behalf of its clients are independent of any compensation related to the investment in or holding of products (see "Information on BCV's policy for managing conflicts of interest," <https://www.bcv.ch/en/Legal-information/Trading-floor-and-securities-accounts>).

Here is more information on benefits received from third parties, by type of service:

Wealth-management services

Since 1 January 2008, the sum of all retrocessions received by BCV for clients with a management agreement has never exceeded 0.3% of the managed assets (per year)¹. Starting on 1 January 2021, BCV will only include share classes that do not include retrocessions in its managed portfolios and, as a result, will not receive compensation from third parties in this regard. However, if a client instructs BCV to acquire or hold onto a financial product that may lead to the payment of a retrocession, that client irrevocably agrees not to claim these retrocessions, unless otherwise stipulated contractually.

Advisory and execution-only services

The table below illustrates the range of fees that may be paid to BCV for (i) its distribution activities through its advisory service and (ii) its execution-only service.

Product class and category	Fees
	As percentage of annual investment volume:
<u>Investment funds:</u>	
Money market, index-linked and real estate funds	0% to 0,50%
Bond funds	0% to 0,90%
Equity funds and other investment funds	0% to 1,50%
	As a percentage of the issue price or annual investment volume:
<u>Structured products</u> (incl. products brokered in a foreign currency):	0% to 1%

¹ <https://www.bcv.ch/La-BCV/Actualite-et-medias/Actualites/2013/Autres-informations/Information-a-notre-clientele-concernant-les-indemnitees-de-distribution-a-la-lumiere-de-l-arret-du-TF-du-30-octobre-2012>

The maximum amount of fees that may be paid to BCV (annually) for its advisory and execution-only services is calculated by multiplying the value (or issue price) of the investment in question by the maximum percentage shown above for the corresponding product category. For example, if 20% of an advisory portfolio worth CHF 500,000 (i.e., CHF 100,000) is invested in bond funds, the maximum amount of fees that BCV could receive is 0.90% of CHF 100,000. Using this calculation (which depends on the amount the client invests), the client can determine BCV's total compensation, which includes the advisory fee, administrative fee, and brokerage fee, along with the fees mentioned above.

The commissions received by BCV in connection with firm commitments entered into with product issuers (for products such as bonds, including those issued by the Central mortgage-bond institution of Swiss cantonal banks, and real estate funds) are not subject to disclosure or returned to the client because they compensate BCV for taking on credit risk.

3. BANCASSURANCE

BCV is authorized to act as an insurance intermediary and in this connection is compensated by the insurance companies whose products it brokers.

4. INDEPENDENT ASSET MANAGERS

BCV may enter into an agreement with independent asset managers concerning compensation for the business they bring to it. This agreement may also provide for a discount

to clients on the services billed by BCV. If such compensation has been agreed to, BCV may pay financial benefits to independent asset managers that are in a position to grow its client base or distribute its products and services. In principle, no compensation is paid to independent asset managers whose clients are domiciled outside Switzerland.

The Client accepts that BCV pays financial benefits to independent asset managers. These benefits represent a percentage of the net income generated for BCV over the year by a given client and may include all or part of the following income: (1) a distribution fee of 0% to 1.5% on structured products; (2) a trailer fee of up to 0.8%, and (3) up to 70% of custody and administrative fees, exchange and OTC/fund brokerage fees, fiduciary fees, margins on forex transactions, and margins on transactions involving precious metals. In addition, BCV may also pay independent asset managers up to 0.5% of net new money from clients, including on mortgage loans (referral commission).

The independent asset manager is responsible for informing clients about compensation paid by BCV.

5. AMENDMENT OF THIS ADVISORY

BCV reserves the right to modify this document at any time and in any manner it deems appropriate, including by updating it on its website at <https://www.bcv.ch/en/Legal-information/Accounts-and-services>.