CORPORATE GOVERNANCE

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BOARD OF DIRECTORS

From left to right:
Fred Kindle, Roland Iff, Roland Ledergerber, Olivier de Perregaux, Dr. Albrecht Langhart (all functions are listed in the section «Members of the Board of Directors», pages 21 and 22)

EXECUTIVE BOARD

From left to right:
Thomas Schönbucher, Philipp Heer, Rafael Pfaffen, Simon Tellenbach, Lorenz Heim, Matthias Reinhart, Tom Friess, Giulio Vitarelli, Marc Weber, Manuel Rütsche (all functions are listed in the section «Members of the Executive Board», pages 29 and 30)

CORPORATE GOVERNANCE

Effective corporate governance ensures fairness and transparency vis-à-vis all stakeholders, in particular vis-à-vis shareholders. VZ Group is committed to protecting the interests of shareholders and to disclosing all relevant information.

Best Practice

VZ Holding Ltd's standards and principles are in accordance with authoritative requirements for good corporate governance. VZ Group's Code of Conduct describes the values, objectives and behaviour that serve as a guideline for all employees within the group. This Code of Conduct can be downloaded from www.vzch.com.

The information in this section is based upon VZ Holding's articles of association and SIX Swiss Exchange's directives. The information is structured according to the SIX «Corporate Governance Directive» and Economiesuisse's «Swiss Code of Best Practice».

All information in this report refers to 31 December 2021.

Regulations

VZ Group is a financial services group. It is subject to the consolidated financial supervision of the Swiss Financial Market Supervisory Authority (FINMA). VZ Depository Bank Ltd is licensed to operate as a depository bank and securities trader. VZ InsurancePool Ltd is monitored by FINMA as a non-life insurer. The German subsidiary VZ VermögensZentrum Bank Ltd , Munich, reports to the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) and to the Deutsche Bundesbank. Lumin Group Ltd, in which VZ Group has held a stake since 2021, is regulated by the Financial Conduct Authority (FCA).

Group structure and shareholders

Group structure

VZ Group encompasses the following legally-independent companies:

VZ Holding Ltd		
VZ VermögensZentrum Ltd	VZ VermögensZentrum Bank Ltd	VZ Depository Bank Ltd
HypothekenZentrum Ltd[1]	VZ VersicherungsPool Ltd	VZ Vorsorge Ltd
VZ Insurance Services Ltd	VZ VersicherungsZentrum Ltd	VZ Legal and Tax Consulting Ltd
VZ Investment Research Ltd	VZ Corporate Services Ltd	Früh & Partner Vermögensberatung Ltd[2]
Lumin Group Ltd[3]	VZ Operations Ltd	Claridenhof Ltd

1 HypothekenZentrum Ltd holds 100 percent of the share capital of HZ Servicing Ltd and HZ Credit Support Ltd.
2 VZ Holding Ltd holds 40 percent of the capital and 51 percent of the voting rights of Früh & Partner Vermögensberatung Ltd.
3 VZ Holding Ltd holds 50.1 percent of Lumin Group Ltd.

Listed company

VZ Holding Ltd (Zug) is the only listed company within the scope of consolidation. Its entire share capital is listed on SIX Swiss Exchange's International Reporting Standard (securities number 52'875'158, ISIN CH0528751586). The market capitalisation as at 31 December 2021 amounted to CHF 3912 million.

Non-listed companies

The scope of consolidation comprises the following subsidiaries (unless stated otherwise VZ Holding Ltd is the sole shareholder of these companies):

VZ VermögensZentrum Ltd, Zurich
Financial consulting for private clients in Switzerland.
Share capital: CHF 2'000'000

VZ VermögensZentrum Bank Ltd, Munich (Germany)
Financial consulting, wealth management and banking services for private clients in Germany.
Registered capital: EUR 20'000'000
VZ VermögensZentrum GmbH was merged with VZ Depositary Bank Deutschland Ltd in 2021. The company name was changed to VZ VermögensZentrum Bank Ltd.

VZ Legal and Tax Consulting Ltd
Fee based legal and tax consulting, execution of wills and fiduciary services.
Share capital: CHF 250'000

VZ Depository Bank Ltd, Zug
Securities accounts, securities and currency transactions, portfolio advisory and management for private clients and institutional investors; provision and purchasing of mortgage credits; sureties and guarantees for clients who have deposited assets at VZ Depository Bank as collateral for these sureties and guarantees.
Share capital: CHF 45'000'000

VZ Operations Ltd, Zurich
Services in connection with banking, financial consulting, financial services and securities trading, especially for VZ Group companies. The company may also provide these services to third parties.
Share capital: CHF 100'000

HypothekenZentrum Ltd, Zurich
Management of mortgages and transfer of mortgages to institutional investors.
Share capital: CHF 250'000
In order to optimise its business activities, HypothekenZentrum Ltd has established two subsidiaries; HZ Credit Support Ltd, Zurich, and HZ Servicing Ltd, Zurich.

VZ Insurance Services Ltd, Zurich
Risk management consulting as well as insurance and pension fund management for corporate clients.
Share capital: CHF 100'000

VZ VersicherungsZentrum Ltd, Zurich
Management of insurance portfolios for private clients.
Share capital: CHF 100'000

VZ InsurancePool Ltd, Zurich
Property and casualty insurances for individuals in Switzerland.
Share capital: CHF 17'500'000

VZ Vorsorge Ltd, Zurich
Consulting and management services for as well as management of investment foundations, pension funds and other institutions providing occupational benefit schemes.
Share capital: CHF 100'000

VZ Corporate Services Ltd, Zurich
IT, marketing, HR, accounting and controlling services for VZ Group companies.
Share capital: CHF 100'000

VZ Investment Research Ltd, London (United Kingdom)
Analysis of the UK market for financial consulting and portfolio management with regard to a potential market entry.
Registered capital: GBP 100'000

Claridenhof Ltd, Zurich
The company's purpose is the acquisition, holding and sale of real estate. It is not operative and holds one property in Zurich, which is used from VZ Group.
Share capital: CHF 104'000

Subsidiary with a majority of voting rights within the scope of consolidation:

Lumin Group Ltd, St Albans (United Kingdom)
Lumin is an Independent Financial Advisor (IFA) and offers independent advice on a fee basis. On 17 May 2021, VZ Holding Ltd acquired 50.1 percent of of Lumin Group's voting and capital rights.
Share capital: GBP 3670

Früh & Partner Vermögensberatung Ltd, Zurich
Financial consulting for enterpreneurs in Switzerland. VZ Holding Ltd holds 40 percent of Früh & Partner Vermögensberatung Ltd's share capital and 51 percent of the voting rights.
Share capital: CHF 250'000

Minority holdings

VZ Holding Ltd holds a stake of 33 percent in Dufour Capital Ltd, Zurich, and takes a seat on Dufour's Board of Directors. Dufour Capital is an asset manager specialising in the development of rule-based investment solutions. Dufour Capital has an advisory mandate from VZ Group and a share capital of TCHF 150.

As per 31 December 2021 no other participation in companies other than stated above were held by VZ Group.

Major shareholders

The Federal Law on Financial Market Infrastructures and the Market Behavior in Securities and Derivatives Trading (Finanzmarktinfrastrukturgesetz) requires that shareholders and holders of rights to acquire or sell shares disclose their holdings if those exceed or fall below certain limits. This is designed to ensure that material changes in ownership and voting rights are transparent for all market participants.

Matthias Reinhart, founder and Chief Executive Officer of VZ Group, holds a majority of 61.07 percent of all shares (last disclosure notice in 2012: 60.87 percent) both directly and indirectly through Madarex Ltd, a company he controls. Apart from Matthias Reinhart, no other shareholder held at least 3 percent of the voting rights as at 31 December 2021. No disclosure notices have been received during the year under report.

Shareholders on 31.12.2021

Matthias Reinhart (directly and indirectly)	61.07 %
Members of the Board of Directors[1]	1.47 %
Other members of the Executive Board[1]	1.88 %
VZ employees[2]	3.48 %
Treasury shares	1.55 %
Free float/remainder	30.55 %

1 Without related parties.
2 Shares held by VZ employees that are registered in the share register are shown.
For additional information, please refer to the table on page 19.

IX Swiss Exchange's disclosure office publishes all relevant notifications (www.ser-ag.com/de/resources/notifications-market-participants/significant-shareholders.html/).

There are no shareholder pooling agreements.

Cross-shareholdings

There are no cross-shareholdings.

Capital structure

Ordinary share capital

VZ Holding Ltd's nominal share capital amounts to CHF 2 million, divided into 40 million fully paid-up registered shares with a nominal value of CHF 0.05 each. Each registred share entitles its holder to one voting right. VZ Holding AG does not issue participation or dividend-right certificates.

Authorised and conditional capital

There is no authorised capital.

The conditional share capital is limited to CHF 40'000, equal to 2 % of the existing share capital. This sum is available to exercise the option rights they have acquired within the framework of the management benefit programme. For this purpose, VZ Holding Ltd may issue a maximum of 800'000 fully paid-up registered shares with a nominal value of CHF 0.05 each. The preferential subscription rights of the shareholders are excluded for this conditional capital increase. By the end of 2021, no shares were issued out of the conditional share capital.

Acquisition of the registered shares by exercising option rights and the subsequent transfer of the registered shares is subjected to the transfer restrictions described in the section «Transfer restrictions» on page 19. The conditions for the issuance, including issue price, date of dividend rights, type of contribution and the participation plan are set by the Board of Directors. The shares may be issued at a price below the market price.

Changes in capital

VZ Holding Ltd buys its own shares for share-based payments. In 2021, there were 103'082 registered shares (2020: 304'804). 213'469 registered shares were allocated to or sold to employees as part of the management benefit programme (2020: 181'417). Members of the Board of Directors were allocated 4183 registered shares (2020: 5070). Treasury shares are recognised in the balance sheet at a value of TCHF 41'472 (2020: TCHF 44'258). Further details are shown in the notes to the consolidated financial statements under «Share capital and reserves» (pages 118 and 119). For the year 2019, please refer to the 2019 annual report, page 20 (available online: vzch.com/annualreport2019).

Dividend payments

	2021	2020	2019
Dividends in % (annual profit VZ Group)	44%	42 %	40 %
Dividends in TCHF	61'825[1]	48'334	40'235
Payment date	20.4.22	16.4.21	16.4.20

1 The dividend payments are based on a dividend of CHF 1.57 per registered share proposed to the shareholders' meeting of 12 April 2022. No dividend will be paid on treasury shares. Therefore, the actual amount paid out is dependent on the number of treasury shares held by VZ Group on the payment. These shares are not eligible for dividends.

Restrictions on transferability and nominee registration in the share register

Transfer restrictions

Currently 217'324 registered shares are subject to a lock-up period. Only shares related to the management benefit programme or to the Board of Directors' compensation are locked-up. During the year under report 61'986 shares were allocated based on the management benefit programme (2020: 65'970) and 4183 shares were allocated to members of the Board of Directors as compensation (2020: 5070).

The vesting period is three years for all shares in the management benefit programme. Allocations to members of the management take place at the end of February, while allocations to members of the Executive Board and the Board of Directors only take place in early April, after their remuneration has been approved by the Annual General Meeting. This is why the vesting period for management employees will expire in February 2022 respectively 2023 and 2024, while it will end in April 2022 respectively 2023 and 2024 for members of the Executive Board and the Board of Directors. Detailed information on the management benefit programme can be found in the notes to the consolidated financial statements under «Share-based payments» (page 78) and under «Share-based management benefit programme» (pages 124 to 127).

Locked-up shares as of 31.12.2021

	until 24.2.22 Management		until 9.4.22 EB/BoD		until 24.2.23 Management		until 8.4.23 EB/BoD		until 24.2.24 Management		until 12.4.24 EB/BoD		Total	
	Number	in %	Number	in %	Number	in %	Number	in %	Number	in %	Number	in %	Number	in %
Members of the Board of Directors	0	0,00	5'210	0,01	0	0,00	5'070	0,01	0	0,00	4'183	0,01	14'463	0,03
Members of the Executive Board	2'280	0,00	18'015	0,05	1'575	0,00	17'260	0,04	1'443	0,00	16'564	0,04	57'137	0,13
Management	50'500	0,13	4'060	0,01	46'295	0,12	840	0,00	43'979	0,11	0	0,00	145'724	0,37
Total	52'830	0,13	27'285	0,07	47'870	0,12	23'170	0,05	45'422	0,11	20'747	0,05	**217'324**	**0,53**

Conditions for entry in the share register

The Board of Directors keeps a share register, where the name and address of each holder and usufructuary of VZ shares are registered. Entry in the share register is contingent upon proof that the share has been acquired for ownership or for the establishment of a usufruct. Vis-à-vis VZ Group, shareholders or usufructuaries shall be deemed to be only those persons who are recorded in the share register. Upon request, a shareholder's voting rights shall be recorded in the share register, provided the shareholders explicitly acknowledge to have acquired the share in their own name and for their own account.

Exceptions

Apart from the provisions on nominee registrations, no exceptions to these transfer restrictions shall be granted.

Nominees

The Board of Directors may register persons who hold shares in the name of third parties («nominees») up to 5 percent of the share capital stated in the Commercial Register as shareholders with voting rights. The Board of Directors may approve the entry of voting rights exceeding 5 percent for nominees who disclose the name, address and number of shares of those persons for whose account they hold 0.5 percent or more of the share capital stated in the Commercial Register. This is a discretionary decision. With these nominees the Board

of Directors concludes agreements regarding notification requirements, representation of the shares and exercise of the voting rights. If an entry in the share register was based on false information by the shareholder, the company may cancel the entry after a hearing with the nominee. The Board of Directors informs the affected shareholders immediately about the cancellation. Changes to the statutory provisions and restrictions on the transferability of shares are subject to the approval of two thirds of the represented votes and the absolute majority of the represented nominal share values at the shareholders' meeting. The articles of association of VZ Holding Ltd do not stipulate any statutory privileges.

Convertible bonds and options

The share based management benefit programme provides options for VZ Group's senior employees. These options have a maturity of six years, and may be redeemed only in exchange for shares (subscription ratio 1:1). In addition, the options are blocked for a period of three years and shall become worthless and lapse if their owners leave VZ Group within this period. As at 31 December 2021 VZ Holding Ltd held 621'145 VZ shares (31.12.2020: 731'532). These shares are designated for share allotments and options exercised by employees. By the end 2021 no shares were issued from the conditional capital.

During the year under report 123'972 options were granted under this programme (2020: 131'940), whereof 117'664 were still outstanding on 31.12.2021. If these options are exercised, 117'664 registered shares will be transferred. During the year under report a total of 147'278 options were exercised (2020: 109'427). Options outstanding under all option plans totalled 534'779 as at 31 December 2021 (31.12.2020: 575'263). If all these options will be exercised, 534'779 options will be transferred. Detailed information on the benefit programme including the exercise prices per option plan is disclosed in the notes to the consolidated financial statements (page 78, section «Share-based payments» and pages 124 to 127, section «Share-based management benefit programme»).

No convertible bonds were outstanding during the year under report.

Board of Directors

Authorities

VZ Holding Ltd's Board of Directors is responsible for the supervision and control of the Group's Executive Board. It appoints and monitors the members of the Group Executive Board and revises and signs off the Group's strategy. The Board of Directors acts as a collective body, issues the necessary directives and guidelines, establishes the Group's organisation and risk policy and is briefed about the course of business on a regular basis. The Board of Directors has the necessary leadership skills, expertise and experience in the banking and financial sector. In addition to the main business areas, all areas including finance and accounting as well as risk management are competently represented.

Members of the Board of Directors

Name, Year of birth, Nationality	Function	Elected (for the first time/until)	Professional background, other activities, vested interests and education
Fred Kindle, born 1959, CH	Chairman, Head of Compensation Committee	2002 to 2022	Since the end of 2015, Fred Kindle has been a consultant for Clayton, Dubilier & Rice (CD&R), the investment firm based in New York and London, where he had been a partner from 2008 through 2015. Before joining CD&R, Mr Kindle managed ABB Group worldwide (2004 to 2008). Prior to this, he served as CEO of Sulzer Ltd (2001 to 2004) and Sulzer Industries, Switzerland (1999 to 2001). From 1992 to 1998 he held a number of senior positions within Sulzer Group. He had previously worked with McKinsey, New York and Zurich, and Hilty Ltd, Liechtenstein, for several years. He graduated in engineering at the Swiss Federal Institute of Technology in Zurich before completing an MBA at the Northwestern University, Evanston (USA). Fred Kindle is member of the Board of Directors of Stadler Rail Ltd, Bussnang, and Vice President and Lead Independent Director of Schneider Electric, Rueil-Malmaison (F). As a non-executive and independent member of the Board of Directors, Fred Kindle has never been a member of the Executive Board of VZ Holding Ltd or any of its group companies. Apart from a lombard loan issued in 2015, he has no significant business relationships with VZ Group companies. Further information can be found in the remuneration report on page 44.
Roland Iff, born 1961, CH	Vice-Chairman, Head of Risk & Audit Committee	2006 to 2022	Roland Iff was Chief Financial Officer of Geberit Group until the end of 2021. He joined Geberit in 1993 as Head of Group Development. In mid 1995 he was given responsibility for group management accountancy. From 1997 onwards he ran the Group Treasury. Roland Iff has been Chief Financial Officer since 2005. Before joining Geberit, he spent six years working for Mead Corporation in Zurich, Milan (IT) and Dayton (USA). He graduated in business administration at the University of St. Gallen (lic. oec. HSG), majoring in finance and accountancy. Roland iff is member of the Board of Directors of Bauwerk Group Ltd, St. Margrethen. As a non-executive and independent member of the Board of Directors, Roland Iff has never been a member of the Executive Board of VZ Holding Ltd or of any of its group companies. He does not maintain any material business relationships with the companies of VZ Group.

(continuation)

Name, Year of birth, Nationality	Function	Elected (for the first time/until)	Professional background, other activities, vested interests and education
Dr. Albrecht Langhart, born 1961, CH	Member of the Risk & Audit Committee	2000 to 2022	Dr. Albrecht Langhart is a partner of Blum & Grob Rechtsanwälte Ltd in Zurich (2005 to 2008 BLUM Rechtsanwälte). Prior to this he was an associate and partner with various commercial law firms in Zurich (1989 to 2005). From 2000 to 2021 he has served as an arbitrator at the VSV Verband Schweizerische Vermögensverwalter (Association of Swiss Asset Managers). He studied at the University of Zurich (lic. iur. 1986, Dr. iur. 1993) and at the Queen Mary and Westfield College of the University of London (Master of Laws, LL.M. European Law, 1993). He was called to the bar of the Canton of Zurich in 1988. Albrecht Langhart serves on the Board of Directors of WABAG Wassertechnik Ltd, Winterthur. As a non-executive and independent member of the Board of Directors, Albrecht Langhart has never been a member of the Executive Board of VZ Holding Ltd or any of its group companies. He advises VZ Group in legal matters in his capacity as a partner of Blum & Grob Rechtsanwälte Ltd. Apart from this he does not maintain any material business relationships with the companies of VZ Group.
Roland Ledergerber, born 1961, CH	Member of Compensation Committee	2014 to 2022	In May 2021, Roland Ledergerber was elected to the Board of Directors of St. Galler Kantonalbank (SGKB), and in May 2022 he will be proposed to the Annual General Meeting for election as Chairman of the Board. Ledergerber joined SGKB in 1998 as Head of Corporate Clients and Deputy Head of Division. From 2002 he was a member of the Executive Board and Head of Private and Business Clients, and from 2008 until the end of April 2021 he was Chairman of the Executive Board. Before joining SGKB, he worked at UBS AG in the areas of Corporate Development, Corporate and Institutional Banking Europe and Corporate Banking Switzerland in Switzerland and abroad. Directors, Roland Ledergerber has never been a member of the Executive Board of VZ Holding Ltd or of any of its group companies. He does not maintain any material business relationships with the companies of VZ Group.
Olivier de Perregaux, born 1965, CH	Member of the Risk & Audit Committee	2014 to 2022	Olivier de Perregaux has been with LGT Group in Liechtenstein since 1999 and is CEO of LGT Private Banking since 2021. He was CFO and member of the Group Executive Committee and since 2006 a member of the Senior Management Board of the LGT Group. Prior to this he worked for Zurich Financial Services and for McKinsey & Co. in Switzerland and abroad. Olivier de Perregaux graduated in business administration at the University of St. Gallen (lic. oec. HSG). As a non-executive and independent member of the Board of Directors, Olivier de Perregaux has never been a member of the Executive Board of VZ Holding Ltd or of any of its group companies. He does not maintain any material business relationships with the companies of VZ Group.

Other activities and vested interests

The activities and vested interests are listed in the section «Members of the Board of Directors» on pages 21 and 22. For reasons of materiality, other activities are listed only if the entity in question is subject to a regular audit.

Restriction of additional activities

Members of the Board of Directors may exercise functions on senior management level or as members of boards of other legal entities only if these activities are compatible with their workloads and responsibilities at VZ Group. Mandates from legal entities that must be entered in the commercial register or a comparable foreign register are subject to the Board of Directors' approval.

A maximum of 5 mandates from public companies, 15 from other legal entities and 5 gratuitous mandates are permitted, the total number being limited to 20 mandates. Excluded from this restriction are functions that a member of the Board of Directors exercises at the direction of VZ Group. Functions at companies that are part of the same group are deemed to constitute one function.

Compensation, shareholdings and loans

For additional information please refer to the «Compensation Report» on page 38 to 51.

Election and term of office

Election

The shareholders' meeting elects all members of the Board of Directors individually for a term of one year. The period of office ends upon the conclusion of the next ordinary shareholders' meeting. The year for the first election is specified in the section «Members of the Board of Directors» (pages 21 and 22). There are no restrictions on how often a member of the Board of Directors may be re-elected.

The rules within the articles of association of VZ Holding Ltd governing the appointment of the chairman, the members of the Compensation Committee and the independent voting proxy correspond to the regulatory requirements. If the Chairman of the Board of Directors does not exercise his office until the end of the period of office, the Board of Directors shall elect a replacement from amongst its members for the period until the next shareholders' meeting.

Internal organisation

Tasks

The Board of Directors consists of five or more members. Decisions are taken by the entire Board of Directors, based on the majority of the votes present. If a vote results in a tie, the Chairman takes the final decision. In the case of routine matters and in urgent cases, the Board may accept or reject applications in writing, unless at least one member requests a meeting. For support and in order to ease its own workload, the Board of Directors has established a Risk & Audit Committee as well as a Compensation Committee. These committees prepare decisions relating to their topics, and also submit motions to the Board of Directors. Since most business is discussed and decided by the entire Board of Directors, no further committees are necessary. Members of the Board of Directors abstain from voting on matters that relate to their own interests or the interests of natural persons or legal entities with which they are associated.

Board of Directors

Pursuant to the Swiss Code of Obligations, VZ Holding Ltd's articles of association and internal organisational regulations, the Board of Directors has the following duties:

- the ultimate management of the company and the issue of the necessary directives
- the establishment of the organisation
- the structuring of the accounting system, financial controls and financial planning
- the appointment and dismissal of the persons entrusted with the management and representation of the company and regulation of signatory powers
- the ultimate supervision of the persons entrusted with the management in connection with compliance with applicable law, articles of association, regulations and directives
- the drawing up of the company's annual report as well as the preparation of the shareholders' meeting and the execution of its resolutions
- Preparation of the remuneration report
- the notification of the responsible legal authorities in the event of over-indebtedness
- the passing of resolutions relating to the subsequent payment of capital contributions on shares which have not been fully paid-up
- the passing of resolutions relating to the confirmation of capital increases and the ensuing amendments to the articles of association
- Reviewing the professional qualifications of the licensed audit experts or state-regulated audit firms in cases where the law provides for the use of such auditors or audit firms
- the assignment and monitoring of the internal audit, the assignment of the statutory audit company and the evaluation of their reports
- the decision on the formation, liquidation or acquisition of subsidiaries, branches and offices in new regional markets, the participation in companies, the establishing of joint-ventures and foundations
- the decision on acquisition or disposition of property
- the appointment and dismissal of the vice-chairman of the Board of Directors
- the appointment of the chairman of the Board for the time remaining until the next shareholder's meeting if the chairman elected resigns from his function
- Appointment of the members of Board Committees, (in particular the Risk & Audit Committee), with the exception of the Compensation Committee, whose members are elected by the Annual General Meeting
- the establishment of and amendments to the organisation's regulations
- the appointment and dismissal of the Chief Executive Officer, the deputy as well as the members of the Executive Board, of the Chief Risk Officers (CRO) and of the Head Legal & Compliance
- the establishment of and amendments to the Risk & Audit Committee's regulations
- the decision on motions brought forward by the Risk & Audit Committee
- the issue of the regulations for the compensation committee respecting the guidelines of the articles of association and the requirements set by the Ordinance against Excessive Compensation in Listed Stock Companies «VegüV»
- the approval of the Executive Board's conceptual framework for group-wide risk management that defines the risk policy, the risk tolerance and the risk limits that result from it in all major risk categories and the definition of the responsibility for the regulation, establishment and monitoring of an effective risk management as well as the control of the overall risks

- the annual assessment of its own performance (achievement and approach)
- the definition and the approval of the job profiles for the members of the Board of Directors including their periodic assessment
- the definition, approval and periodic assessment of the job profiles for the members of the Executive Board, the CRO and the head of the internal audit
- the responsibility for an effective internal control system consisting of at least two bodies (profit-oriented business units and supervisory bodies that are independent from them) including the supervision of the control system

In addition to these legal tasks, the Board of Directors is also responsible for the forward-looking, strategic development of the company in the area of sustainability (Environment, Society and Governance ESG).

Chairman

The Chairman of the Board of Directors has the following duties:
- the chairmanship of the Board as a whole
- the preparation of the agenda for the shareholders' meetings and the meetings of the Board of Directors
- the convening of the meetings of the Board of Directors
- the chairing of the shareholders' meetings and the meetings of the Board of Directors
- the monitoring of the implementation of the decisions taken by the Board of Directors
- the keeping of the share register, whereas the administration of the register may be delegated to a suitable service provider
- the keeping of the company's records, documents and minutes
- the internal and external representation of the Board
- Decisive influence of VZ Group's strategy, communication and culture

Vice-Chairman

The Board of Directors elects each year, at the first meeting following the shareholders' meeting, a Vice-Chairman from amongst its own ranks. If the Chairman of the Board of Directors is unavailable, the Vice-Chairman assumes his duties and responsibilities.

Risk & Audit Committee

The Risk & Audit Committee comprises at least two independent, qualified members of the Board of Directors. The Chairman of the Board of Directors is not eligible for this committee. The principal responsibilities of the Risk & Audit Committee are to oversee the risk management, the accounting and the financial reporting as well as the compliance with the applicable legal and regulatory rules and regulations. It reviews the organisation and the effectiveness of the internal controls, namely the risk control, the compliance and the internal audit, as well as the processes of the financial reporting. In addition, it oversees and coordinates the work of the external auditors, including the collaboration with the internal auditors. In the case of important decisions, the Risk & Audit Committee presents the Board of Directors with its recommendations. The Risk & Audit Committee reports to the Board of Directors twice per annum at least within the context of board meetings.

Compensation Committee

The Compensation Committee consists of at least two independent members of the Board of Directors who are elected at the shareholders' meeting individually for a period of office of one year. The Compensation Committee helps the Board of Directors to develop and monitor the remuneration system as well as to determine the compensation of the members of the Board of Directors and the members of the Executive Board of VZ Group.

The Compensation Committee checks adherence to the remuneration rules defined by the shareholders' meeting. In case of deviations, the Compensation Committee initiates corrective measures and monitors their implementation. The Compensation Committee draws up a compensation report that it presents to the Board of Directors for approval. In the event of important decisions associated with the remuneration of members of the Board of Directors and of the Executive Board, the committee submits proposals to the Board of Directors. The Compensation Committee reports to the Board of Directors twice per annum within the framework of the meetings of the Board of Directors.

Mode of operation

Policies
The Board of Directors meets as often as business requires, at least four times per year as a rule. These meetings usually take half a day. The Risk & Audit Committee meets at least twice a year, the Compensation Committee normally also meets twice a year. These meetings usually take 2 to 4 hours.

Mode of operation of the Risk & Audit Committee
The head of the Risk & Audit Committee proposes members of the Executive Board, other internal specialists or representatives of the internal or external auditors who, upon invitation, attend the meeting of the Committee and report from their area of responsibility. Usually, the CFO participates in these committee meetings. In the year under report, the CFO took part in all meetings held by the Risk & Audit Committee.

Mode of operation of the Compensation Committee
The Head of the Compensation Committee may invite other persons to the meetings of the committee. The invited participants have no voting rights in the meetings.

Meetings held in 2021
Board of Directors: four ordinary meetings (as in 2020) plus a strategy workshop with the members of the Executive Board
Risk & Audit Committee: four meetings (as in 2020)
Compensation Committee: two meetings (as in 2020)

In the year under report, one Board member was unable to attend one committee meeting. Apart from that, all Board members attended all meetings. Neither the Board of Directors as a whole nor the two committees have invited any external consultants in the year under report.

Supervision of the Executive Board

The Chief Executive Officer regularly reports to the Board of Directors about the performance of the group companies and the fulfilment of his tasks. He may inform all of the members of the board in writing or orally on the occasion of a board meeting. The Chief Executive Officer also provides reports on the company's financial situation to the other members of the board on a quarterly basis, and unsolicited points out unforeseen financial liabilities.

Irrespective of the regular reporting, the Chief Executive Officer also immediately informs the members of the board in writing about events that might have a substantial impact on the course of business, such as in particular:

- planned changes in the Executive Board,
- Events which may have a significant adverse effect on the financial situation of the Group, the Company or its subsidiaries, in particular impending litigation or the existence of an under-balance sheet or over-indebtedness,
- Determination of significant irregularities in the management of the company.

Risk management system

An impeccable reputation among clients, investors, creditors, government agencies, business partners and the public is VZ Group's most valuable asset. Managing risks effectively contributes greatly to this reputation. Therefore, the correct assessment, the careful and conscious handling and the systematic monitoring of all important risks is crucial for the the company's long-term success. No business activity is free of risks, and financial institutions active in the balance sheet business are exposed to particularly high risks. VZ Group avoids activities with an unfavourable risk/return ratio and enters a business field only if it has the human and technical resources to adequately control the risks.

VZ Group is exposed to reputational, operational, regulatory and legal risks. In addition, there are default, credit, market, liquidity and refinancing risks in the banking business and underwriting risks in the insurance business.

The overall responsibility including overall management, supervision and control of risk management lies with VZ Group's Board of Directors. The Board of Directors sets the general guidelines for the entire group, approves the conceptual framework for group-wide risk management incl. risk policy, risk tolerances and limits, and issues the organisational, business and competence regulations. If laws, supervisory requirements or general conditions change, these principles are reviewed and adjusted if necessary.

The Risk Office is responsible for the ongoing risk control, including the independent control and monitoring of all risks, while the Legal & Compliance office is responsible for risks of legal and regulatory nature. The Risk Office draws up a bi-annual risk report, Legal & Compliance an annual activity report to the attention of the Risk & Audit Committee.

Additional information is set out in the notes to the consolidated accounts (pages 82 to 96, section «Risk management»).

Independent supervisory bodies

The independent supervisory bodies are part of the internal control system and monitor the risks as well as legal, regulatory and internal compliance. The supervisory bodies assume the risk control and compliance functions. In order to fulfill their duties, they have unlimited rights of access, information and insight, as well as direct access to the Board of Directors.

Internal audit

The internal auditors are elected by VZ Holding's Board of Directors and report to the Risk & Audit Committee. They carry out all tasks assigned by Risk & Audit Committee independently. The Board of Directors mandated Grant Thornton Ltd, Zurich as internal

auditors, and for the German subsidiaries Warth & Klein Grant Thornton Ltd, Dusseldorf. For VZ InsurancePool Ltd the Board of Directors mandated Balmer-Etienne Ltd, Lucerne, which is accredited as auditors for insurance companies by the Swiss Financial market Supervisory Authority (FINMA), as an additional internal auditor.

The internal audit carries out a comprehensive risk assessment at least once a year. It takes into account external developments (e.g. economic environment, regulatory changes) as well as internal factors (e.g. important projects, business focus). Based on this risk assessment as well as other needs, the internal audit defines each year an audit plan with specific objectives that are in line with the risk-oriented multi-annual plan. The audit fields are based primarily upon the statutory requirements for audit obligations. In addition, the Board of Directors may define further fields.

When planning the audits, the internal audit shall coordinate with the external audit and shall make its audit results available to the external audit. The Risk & Audit Committee shall approve the annual audit plan at the latest on the occasion of the first ordinary meeting of the Risk & Audit Committee of the current year. The internal audit shall inform the Risk & Audit Committee, the Executive Board and the managers of the audited units in writing about the results of its audits. At the start of the year the internal audit shall furthermore draw up a report on its activities in the past year. In order to enable the internal audit to perform its duties, it has unlimited rights of access, information and insight.

Right to request information

Insofar as this is necessary for the fulfilment of their duties, each member of the Board of Directors may inspect the financial records and documents, and the Chairman of the Board may demand information from the Chief Executive Officer about the performance of the business and about individual transactions. If the Chairman and/or the Chief Executive Officer rejects a request for information, for a hearing or an inspection, then this shall be decided by the Board of Directors.

Executive Board

Authorities

The Executive Board of VZ Group is responsible for the management of the entire company. Together with the Board of Directors it is responsible for developing the business strategy of VZ Group. It discusses the focus of the subsidiary companies and of the business units in terms of strategy, corporate culture and business philosophy as well as interdepartmental projects of a personnel, risk policy or market profile nature. The Executive Board has the necessary leadership skills, expertise and experience in the banking and financial sector required for the approval of VZ Group's business operation.

Chief Executive Officer

Within the framework of the law and the articles of association as well as the rules of organisation, the Chief Executive Officer is responsible for the management and representation of the company externally. His responsibilities include in particular:

- Organising, managing and monitoring the business activities at the operative level
- Submitting proposals to the Board of Directors concerning the appointment of members of the Executive Board, the deputy of the Executive Board, of the Chief Risk Officer (CRO) and Head Legal & Compliance, of directors and of holders of general commercial power of attorney
- Organising, managing and monitoring the accounting system, the financial controls and the financial reporting as well as managing the balance sheet structure and liquidity
- Preparing the passing of resolutions by the Board of Directors
- Designing and maintaining appropriate internal processes, an adequate management information system, an internal control system and an appropriate IT infrastructure
- Develop a conceptual framework for group-wide risk management to be adopted by the Board of Directors.

Members of the Executive Board

Name, Year of birth, Nationality	Function	Professional background	Member of the Executive Board since
Matthias Reinhart, born 1960, CH	Chief Executive Officer	Lic. oec. HSG Associate and Engagement Manager at McKinsey & Co. in Zurich and Chicago Entry: 1992	1992
Giulio Vitarelli, born 1971, CH	Managing Director VZ VermögensZentrum (Switzerland)	Master of law (lic. iur.) Entry: 1998	2002
Thomas Schönbucher, born 1973, CH	Deputy Managing Director VZ VermögensZentrum (Switzerland)	Master of business administration (lic. oec. HSG) Entry: 2000	2012
Philipp Heer born 1984, CH	Managing Director Private Insurance and Region Berne, Central and Southern Switzerland	BSc Finance & Banking Entry: 2003	2021

(continuation)

Name, Year of birth, Nationality	Function	Professional background	Member of the Executive Board since
Tom Friess, born 1968, CH	Managing Director VZ VermögensZentrum (Germany)	Degree in business administration (HWV) Bank Vontobel, Swiss Invest (Argentina) Entry: 1996	2000
Marc Weber, born 1976, CH	Managing Director VZ Depository Bank	MAS in Bank Management Vaudoise Versicherungen Entry: 1999	2008
Manuel Rütsche, born 1984, CH	Managing Director Asset Management	MSc in Finance, London Business School Raiffeisenbank Entry: 2004	2018
Lorenz Heim, born 1968, CH	Managing Director HypothekenZentrum	Schweizerischer Bankverein Entry: 1994	1999
Simon Tellenbach born 1983, CH	Managing Director Corporate clients	Certified Swiss Pension Fund Manager, Business Economist (University of applied studies) Allianz Suisse Entry: 2005	2019
Rafael Pfaffen, born 1977, CH	Chief Financial Officer	MAS in Bank Management SwissRe CFO VZ Depository Bank Ltd since 2007 Entry: 2007	2017

Other activities and vested interests

- Matthias Reinhart is a member of the Board of Directors of the following companies: Aktiengesellschaft für die Neue Zürcher Zeitung, Zurich, OM Pharma Ltd, Meyrin, Optimus Holding Ltd, Meyrin, Familie Ernst Basler Ltd, Zollikon and Reinhart Holding Ltd, Winterthur.
- Lorenz Heim is a member of the Foundation Board of HIG Immobilien-Anlagestiftung, Zurich and Vice President of HIG Asset Management, Zurich.

The members of the Group Executive Board do not hold any public or political office or a permanent management or advisory function for important Swiss or foreign interest groups. For reasons of materiality, other activities are listed only if the entity in question is subject to a regular audit.

Restriction of additional activities

Members of the Executive Board may exercise functions on senior management level or as members of boards of other legal entities only if these activities are compatible with their workloads and responsibilities at VZ Group. Mandates of legal entities that must be entered in the commercial register or a comparable foreign register are subject to the Board of Directors' approval.

A maximum of 6 mandates against compensation (one of which from a public company) plus 6 gratuitous mandates are permitted. Excluded from this restriction are functions that members of the Executive Board exercise at the direction of VZ Group. Functions at companies that are part of the same group are deemed to constitute one function.

Changes during the reporting period

Philipp Heer has been a member of the Executive Board of VZ Group since 1 January 2021.

Management contracts

VZ Holding AG has not concluded any management contracts.

Compensation, shareholdings and loans

For additional information please refer to the «Compensation Report» on page 38 to 51.

Shareholders' participation rights

Representation and restrictions on voting rights

Share register

The Board of Directors keeps a share register, where the name and address of each holder and usufructuary of registered shares are registered. Each share listed in the share register entitles the holder to one vote. Entry in the share register is contingent upon proof that the share has been acquired for ownership or for the establishment of a usufruct. Vis-à-vis the company, shareholders or usufructuaries shall be deemed to be only those persons who are recorded in the share register. Further information about the registration conditions is set out in the section «Restrictions on transferability and nominee registration in the share register» on page 19.

If an entry in the share register was based on false information by the shareholder, the company may cancel the entry after a hearing with the nominee. The Board of Directors shall inform the affected shareholders immediately of the cancellation. Changes to the statutory provisions and restrictions on the transferability of shares are subject to the approval of two thirds of the represented votes and the absolute majority of the represented nominal share values at the shareholders' meeting. Shareholders may only exercise their voting rights if they are recorded as shareholders with voting rights in the share register of VZ Holding Ltd. The treasury shares of VZ Holding Ltd does not confer voting rights.

No exemptions to these provisions were granted during the year under report.

The rules pertaining to participation at the shareholders' meeting correspond to the rules of the Swiss Code of Obligations.

Quorums pursuant to the articles of association

The conversion of registered shares into bearer shares as well as the liquidation and dissolution of the company are only possible with the consent of the shareholders' meeting. The minimum quorum required is two thirds of the represented voting rights as well as the absolute majority of the nominal share value represented.

All other arrangements correspond to the provisions of Art. 703 and 704 of the Swiss Code of Obligations.

Annual general meeting

Convening shareholders' meetings

VZ Group's procedures to convene the shareholders' meetings are in line with the provisions of the Swiss Code of Obligations.

Agenda

The agenda for the shareholders' meetings is set by the Board of Directors. Shareholders who individually or collectively represent shares with an aggregated value of at least one percent of the total share capital may submit proposals to be put on the agenda. The request must be submitted to the Board of Directors in writing, including a proof of the number of shares represented. Such a request must be received by the Board of Directors at least 45 days prior to the shareholders' meeting.

Entry in the share register

The Board of Directors sets the deadline for entries in the share register and notifies the shareholders in the invitation to the annual general meeting. As a rule, the share register closes three days prior to the annual general meeting.

Instructions issued to the independent voting rights proxy

Shareholders may issue powers of attorney and instructions to the independent voting rights proxy up to 48 hours before the start of the shareholders' meeting, including electronically. Specific instructions may be issued in respect of motions that are listed in the invitation to the shareholders' meeting, as well as general instructions on unannounced motions or new agenda items. The Board of Directors defines the rules that are to be used for the electronic issue of powers of attorney and instructions.

Changes of control and defence measures

Mandatory public take-over offer

The articles of association do not include any opting-out or opting-up clauses to suspend or limit the duty to make a public take-over offer based on Article 125 paragraph 3 and 4 (opting-out) and Article 135 para 1 (opting-up) of the Financial Market Infrastructure Act.

Changes of control

No change-of-control clauses are included in the articles of association, in agreements or plans in favour of members of the Board of Directors, the Executive Board and/or the management.

Auditors

Duration of the mandate and term of office of the head auditor

The sharholders' meeting held on 12 April 2021 elected PricewaterhouseCoopers Ltd (PwC) as external auditor of VZ Holding and VZ Group for the 2021 financial year. PwC has held this mandate since 2012, and Beat Rütsche has been the head auditor since 2019. He assumed the mandate in 2019 and may exercise it for another four years before the legally required rotation is due.

Auditing fee

PwC charged revision fees of TCHF 678 (2020: TCHF 629) for the financial and regulatory review in the financial year 2021.

Additional fees

In 2021, PwC supported VZ Group in the implementation of regulatory requirements. Fees of TCHF 15 were charged for this service (2020: TCHF 7); representing 2.2 percent of the audit fee. This additional service does not cause any conflicts of interest and is compatible with the audit tasks.

Information instruments exercised by external auditors

The Risk & Audit Committee oversees the external auditing. It acknowledges the audit objectives and the audit plan, where these are not defined by supervisory authorities. It peruses the auditors' findings, recommendations and reports and monitors the scope and organisation of the audit activities. Finally, it assesses the quality of the audit and the compensation of the auditors. In order to assess the work of the external auditors, the Risk & Audit Committee holds meetings with the CEO, the CFO, the responsible head auditor and the senior auditor. Evaluation criteria include qualifications, expertise and independence of the audit teams as well as of the head auditor. The Risk & Audit Committee identifies potential conflicts of interests with the auditors, especially where they take on additional consultancy mandates.

The external auditors review the annual statements with the members of the committee and attend additional meetings upon request. The committee regularly discusses the quality of the services and the cooperation with the head of the mandate. The head of the Risk & Audit Committee regularly informs the entire Board of Directors about the auditing activities.

In the reporting year, the external auditors participated in two meetings of the Risk & Audit Committee.

Information policy

Regular provision of information

VZ Group has a policy of communicating with shareholders, the capital market and the public in a transparent, comprehensive and regular manner. Regular reporting to shareholders includes publication of the annual and half-yearly reports, shareholder letters, media and analysts' conferences as well as the shareholders' meeting. In addition, VZ Group takes part in conferences for financial analysts and investors on a regular basis.

Important dates are listed under www.vzch.com/investor-relations and at the beginning of this report.

Permanent source of information

VZ Group publishes news simultaneously for all market participants under www.vzch.com. Interested parties may subscribe to a mailing list in the «Financial News Alert» section to be automatically updated: www.vzch.com/investor-relations/investor-relations.html

Contact addresses

The main contact addresses are listed at the beginning of this report under «Information for shareholders».

Relevant changes since balance sheet date

Between 31 December 2021 and 1 March 2022 there were no changes that would have to be disclosed.

Trading suspension periods («blackout periods»)

To prevent insider trading, individuals and groups of individuals are excluded from trading in listed financial instruments if they have access to unpublished, potentially price-sensitive information. During the financial reporting period, VZ Group imposes general blocking periods for trading in VZ shares and financial instruments thereon for certain groups of people. The details are set out in an internal directive.

General blackout periods

General trading restrictions apply to members of the Board of Directors and the Executive Board (category 1), to other employees in management functions and to persons who, due to their function, have access to confidential information (category 2). One month before the publication of the results, the trading restrictions apply to all employees of VZ Group and persons closely associated with them (category 3):

- **Annual accounts and annual report**
  Category 1: 15 December
  Category 2: 1 January
  Category 3: 1 month before publication

- **Half-yearly financial statements and half-year report**
  Category 1: 15 June
  Category 2: 1 July
  Category 3: 1 month prior to publication

The blackout period ends 24 hours after the publication of the results.

Additional blackout periods

VZ Group's CEO may set additional trading blackout periods at any time if required. In his absence, the CFO shall assume this task together with the Chairman of the Board of Directors.

Exceptions

No exceptions to these provisions were approved in the year under review.