

June 2021

Principle Adverse Sustainability Impacts Statement

Disclosure pursuant to Article 4 of Regulation EU/2019/2088

Summary

An adverse sustainability impact refers to the negative impact that an investment decision may have on environment or society. VP Bank considers principal adverse impacts of investment decisions on sustainability factors in the selection of financial products. This document summarises how VP Bank conducts due diligence on principal adverse sustainability impacts of its investment and advisory decisions.

VP Bank Group considers principal adverse impacts of its investment decisions on sustainability factors where it takes the investment decisions. The present statement is the consolidated principal adverse sustainability impacts statement of VP Bank Group and its subsidiaries. These include:

- VP Bank Ltd
- VP Bank (Switzerland) Ltd
- VP Bank (Luxembourg) SA
- VP Bank (BVI) Ltd
- VP Bank Ltd Singapore Branch
- VP Wealth Management (Hong Kong) Ltd
- VP Bank Ltd Hong Kong Representative Office
- VP Fund Solutions (Luxembourg) SA
- VP Fund Solutions (Liechtenstein) AG

This principal adverse impacts statement covers the reference period from 10 March 2021 to 31 December 2021.

In accordance to the group policy framework, this statement has been approved by the CIO on 18 June 2021 and will be reviewed and updated periodically as needed. The group policy framework is approved by the Board of Directors.

Applicability

The assessment and consideration of principal adverse sustainability impacts apply to the following:

- VP Bank Group and all its locations listed above
- All investment and advisory decisions including portfolio management, and investment advice
- Management of VP Bank investment funds through VP Fund Solutions

This does not apply to:

- execution only services
- services to intermediary clients
- third party structured products

No consideration of sustainability adverse impacts

In cases where VP Fund Solutions offers the management of funds for external third parties and does not delegate the investment decisions to a company from VP Bank

Group, the development and implementation of the investment strategy and investment policy for such funds ("private label funds", which are not considered VP Bank products) is carried out by an external party that may not take into account the same standards as VP Bank Group or apply comparable standards. VP Fund Solutions does not consider adverse impacts of investment decisions on sustainability factors, when delegating the investment decision to an external third party as well as in the case of investment advice by an external third party stated in the fund prospectus. This is in order to allow the third parties commissioned for this purpose as much discretion and flexibility as possible in the product design of these private label funds.

Description of principle adverse sustainability impacts

VP Bank excludes investments that cause an unacceptable adverse impact and investments must meet minimum criteria in the following three areas: ESG rating, business activity and business practices. Investments that do not meet our minimum criteria are excluded. These exclusions are part of the VP Sustainability Score (VPSS) and a description of the methodology is published [online](#). The VPSS methodology uses data provided from MSCI and is more than simply the use of the ESG rating.

Adverse sustainability impact considerations are conducted on all financial products that VP Bank offers unless they are not considered investments or financial instruments or only provide an economic exposure. Such as:

- Cash products (Money Market / Credit, Limit, Balance, money market deposit)
- Forwards, Options, Futures

Below is a summary of the requirements:

ESG Rating

The ESG rating is composed of the most material environment (E), social (S) and governance (G) factors for each industry. MSCI ratings range from AAA (best) to CCC (worst) relative to industry peers. We exclude the two lowest rating grades B and CCC. In the case of third-party funds and ETFs, we require a minimum level of coverage by MSCI and allow only a limited number of B and CCC rated investments. The allowable thresholds depend on the region and its economic structure and maturity.

Business practices

Business practices refer to the behaviours of enterprises. VP Bank is guided by three internationally recognised standards: "UN Global Compact", "UN Guiding Principles for Business and Human Rights" and "International Labour Organization (ILO) Labour Standards". We exclude stocks and bonds of companies that breach these international standards or have a "very severe" controversy as identified

by MSCI. In the case of third-party funds and ETF recommendations, there may be a very low share of investments with breaches of international standards and «very severe» controversies.

Business activity

Business activity refers to the products and services that a company offers. "Critical" business areas are defined as tobacco, gambling, thermal coal, nuclear and controversial weapons. We exclude companies that generate their revenue from these critical business areas above the defined thresholds. Third-party funds and ETFs may contain a very small proportion of companies operating in areas considered «critical».

Description of actions taken and planned to avoid or reduce principle adverse sustainability impacts

Eligible investments must meet minimum sustainability criteria based on the risks and impacts they could pose. Within a portfolio we aim to achieve an overall better sustainability performance than respective benchmarks and advisors optimize the sustainability performance of our client portfolios based on client preferences.

Products that do not meet VP Bank's sustainability criteria are not eligible for investment advice or portfolio management. These criteria are implemented into relevant investment, portfolio management and advisory systems and processes where VP Bank makes investment decisions and recommendations. Recommendations are continuously monitored to ensure criteria are met. Should an investment become ineligible, it will no longer be recommended and in cases where existing portfolios contain such investments, we will notify clients and offer alternative solutions. In the case of portfolio management mandates, ineligible financial instruments are sold.

VP Bank has implemented the application of the VPSS for portfolio management and advisory services. Going forward we plan to develop additional reporting tools to evaluate the portfolios further with the aim to improve the overall sustainability performance of the investments.

Description of policies to identify and prioritize principle adverse sustainability impacts

Identification

Identification of principal adverse impacts is based on industry-specific material ESG factors. The ESG ratings provided by MSCI take into account this materiality. VP Bank identifies adverse impact according to the criteria described above.

Prioritization

The selection of investments is prioritized to achieve a VPSS above defined thresholds. Beyond meeting the above-mentioned minimum requirements, our approach includes bonus for improving and malus for declining

sustainability performance and client portfolios are optimized to achieve a score above its respective benchmarks.

Governance

The integration of sustainability criteria into the investment and advisory processes are governed according to the relevant VP Bank Group's policy frameworks and integrates it in its overall monitoring and compliance systems and processes. This includes various committees that are responsible for developing and approving the approach to sustainable investing, the eligibility criteria, and strategies:

- Investment Strategy Committee
- Investment Tactics Committee
- Product & Pricing Committee

The relevant investment, compliance, internal audit function, management body and senior management are responsible to implement aspects of this sustainability policy according to their respective duties.

Engagement policies

VP Bank is currently updating its approach to shareholder engagement and voting for its asset management activities and will publish a policy accordingly.

Reference to international standards

Our evaluation of the business practices of companies is based on compliance with three internationally recognised standards: "UN Global Compact", "United Nations Guiding Principles for Business and Human Rights" and "International Labour Organization (ILO) Labour Standards"

In addition, VP Bank is a signatory to the UN PRI (Principles for Responsible Investment) and PRB (Principles for Responsible Banking) and integrates their respective requirements.