

July 2022

PRB Reporting and Self-Assessment

Principles for Responsible Banking

Introduction

The Principles for Responsible Banking (PRB) are a unique framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement.

The framework consists of 6 Principles designed to bring purpose, vision and ambition to sustainable finance. They were created in 2019 through a partnership between founding banks and the United Nations. Signatory banks commit to embedding these 6 principles across all business areas, at the strategic, portfolio and transactional levels.

Principles	Description
Alignment	We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.
Impact and target setting	We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.
Client and customers	We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.
Stakeholders	We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.
Governance and culture	We will implement our commitment to these Principles through effective governance and a culture of responsible banking.
Transparency and accountability	We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

A 3-step process guides signatories through implementing their commitment:

1. **Impact Analysis:** identifying the most significant impacts of products and services on the societies, economies and environments that the bank operates in.
2. **Target Setting:** setting and achieving measurable targets in a banks' areas of most significant impact.
3. **Reporting:** publicly report on progress on implementing the Principles, being transparent about impacts and contributions.

Through the Principles, banks are convened by the United Nations to collectively produce cutting-edge guidance and pioneering tools on key areas of sustainable finance, learn best-practice from their peers, scientists and industry experts, and benefit from individual feedback and collective reviews as they progress on their sustainability journey.

Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)
<p>1.1 Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.</p>	<p>VP Bank Group is an internationally oriented banking group. Our business model is based on four strategic business segments:</p> <ul style="list-style-type: none"> - Intermediaries - Wealthy Individuals - Retail & Commercial Banking in Liechtenstein - Client Solutions <p>VP Bank Group operates in five international locations in Switzerland, Luxembourg, Singapore, Hong Kong and the British Virgin Islands.</p> <p>The Executive Management of VP Group has made a clear commitment to sustainability. VP Bank's goal is to be carbon-neutral by 2026 with its own operations and by 2050 with its investment and credit portfolio.</p>	<p>Annual Sustainability Report 2021 (page 9)</p> <p>Annual Report 2021 (page 36-38, 56-57)</p>
<p>1.2 Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p>	<p>VP Bank Group supports the Paris Climate Agreement, the UN Sustainable Development Goals and respects human rights. We will work to actively contribute to achieving these goals by embedding sustainability into our business in line with our ambition.</p> <p>Our decisions and actions will be guided by the following principles:</p> <ul style="list-style-type: none"> - Focus on the topics where we have an impact and set targets accordingly - Integrate sustainability into our investment decisions and advisory processes to identify long-term risks and opportunities - Support our clients to achieve their sustainability goals through investments and philanthropy - Partner and engage with stakeholders to drive industry-wide improvements - Communicate on our activities and progress towards our targets - Through these actions we will contribute to a more sustainable economy for the benefit of all our stakeholders. <p>To guide us in this journey, we have signed the UN Principles for Responsible Investing (PRI), Principles for Responsible banking (PRB), the Net-Zero Banking Alliance (NZBA) and the UN Global Compact (UNGC).</p>	<p>Annual Sustainability Report 2021 (page 14)</p>

Principle 2: Impact Analysis

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)
<p>2.1 Impact Analysis Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:</p> <p>a) Scope: The bank's core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.</p> <p>b) Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.</p> <p>c) Context & Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.</p> <p>d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services.</p> <p>(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))</p> <p>Show that building on this analysis, the bank has</p> <ul style="list-style-type: none"> - Identified and disclosed its areas of most significant (potential) positive and negative impact - Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts 	<p>In developing our Sustainability Plan 2026, we assessed where we can have the greatest impact and conducted a comprehensive stakeholder engagement process in 2020, which included a materiality assessment of ESG topics that are most important to our business and to our stakeholders. Together with the stakeholders, we identified the focus areas (see materiality matrix), matched them with VP Bank's core competencies and discussed opportunities and challenges in our business activities and offering. The investor perspective was integrated by considering disclosure expectations from MSCI and SASB.</p> <p>In this respect, we have identified the following key areas as part of our stakeholder analysis:</p> <ul style="list-style-type: none"> - Combating corruption & bribery - Fair business practices & integrity / Human rights - Corporate governance - Climate change / Environment - Sustainable investment <p>In terms of generating a positive impact, we believe that the biggest impacts can be generated through our product offering and continuously working on reducing the CO₂ exposure of our client and VP Bank Group assets. In addition, we are also convinced that everyone needs to do their part in reaching CO₂ neutrality. As such, we are committed to reducing as much of our own emissions as possible and compensating only as a last resort.</p> <p>Mitigating potential negative impacts on our social and natural environment starts with integrating sustainability into everything we do - from our product offering to our business operations and our adherence to international standards and guidelines. Similarly, we avoid potential risks in our business operations by integrating sustainability into our risk management processes.</p> <p>Currently, we are in the process setting interim targets for 2030 and selecting metrics to align our investment and credit portfolio with a net-zero path by 2050 (part of NZBA).</p>	<p>Annual Sustainability Report (page 17-19)</p>

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.

VP Bank Group has partially fulfilled the requirements regarding Impact Analysis. In 2021, VP Bank Group has performed a holistic Stakeholder Analysis to assess positive and negative impacts from the Bank's activities, products and services.

2.2 Target Setting

Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified “areas of most significant impact”, resulting from the bank’s activities and provision of products and services.

Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.

Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society’s goals and that it has set out relevant actions to mitigate those as far as feasible to maximise the net positive impact of the set targets.

As part of our Sustainability Strategy 2026, we have set six specific goals. These refer to both our own operation and product offering.

Strategic targets for our product offering:

- Integrate sustainability into our investment process
- Create a net positive impact through our offering
- Grow assets under management in sustainable investment solutions

Strategic targets for our own operation:

- Integrate sustainability into our business activities
- Achieve CO₂-neutral operations
- Improve gender diversity in our workforce

By signing the Net-Zero Banking Alliance agreement, we have committed to become net-zero with our investment and credit portfolios by 2050, as well as setting ambitious interim targets for 2030. We are currently in the process of defining interim targets.

The Group Executive Management (GEM) and the Strategy & Digitalisation Committee of the Board of Directors (BOD) participated in dedicated workshops to define the role of sustainability in the overall Group Strategy and VP Bank’s ambition based on the results of the consultations. The Sustainability Plan 2026 was formulated and approved accordingly.

[Annual Sustainability Report](#) (page 15, 21)

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Target Setting.

VP Bank Group has partially fulfilled the requirements regarding Target Setting by setting clear sustainability objectives for 2026 approved by Group Executive Management (GEM) and the Board of Directors (BOD). Furthermore, measurable targets are set and published in the annual and sustainability report.

2.3 Plans for Target Implementation and Monitoring

Show that your bank has defined actions and milestones to meet the set targets.

Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any re-basing of baselines should be transparent.

We consider the standards provided by Partnership for Carbon Accounting Financials (PCAF) for measuring our carbon-emission and report our progress according to Task Force on Climate-related Financial Disclosures (TCFD) framework.

Three sustainability key performance indicators (KPIs) are included in the regular monitoring of the overall Group strategy roadmap to inform the GEM of the status and progress made. This ensures that our sustainability targets are included in the regular review of our Group Strategy 2026. The three KPIs are: CO₂-neutral operations, net positive impact through our offering and external ESG ratings.

[Annual Sustainability Report](#) (page 22)

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.

VP Bank Group has partially fulfilled the requirements regarding Target Implementation and Monitoring. Clear accountability and ownership of goals have been established and Head of Sustainability has the role to oversee the progress.

2.4 Progress on Implementing Targets

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

On 1 January 2021, the Sustainability Plan 2026 came into action. The progress we made in 2021 is considered the baseline on which we will continue to build to achieve our goals.

[Annual Sustainability Report](#) (page 15-16)

Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.

Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)

As part of our Annual Sustainability Report, we document the progress we have made with respect to our strategic targets and take appropriate action where necessary.

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets

VP Bank Group has fulfilled the requirements regarding Progress on Implementing Targets. Strategic targets have been set and communicated; metrics have been defined to track the progress made on the achievement of the strategic targets.

Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)
<p>3.1 Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.</p>	<p>In 2020, we launched our "Investing for Change" initiative to actively bring about positive change through sustainable investing. Under this initiative, we have developed a sustainability assessment methodology to guide our investment decisions and launched products with an ESG focus. Since January 2021, we have been integrating sustainability risks and opportunities into all investment decisions.</p>	<p>Annual Sustainability Report (page 27-28)</p>
<p>3.2 Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.</p>	<p>To guide our investment decisions, we developed VP Sustainability Score (VPSS) to capture the elements we consider important. This approach has several benefits, since it:</p> <ul style="list-style-type: none"> - incorporates our own philosophy, values and criteria; - centres on integration and not exclusion; - allows for transparency at the portfolio level; - enables the comparison of different asset classes and financial instruments; and - allows clients to adjust their sustainability profile. <p>In 2021, we added the SDG and Impact Exposure subcomponent to the VPSS.</p> <p>Through thematic investing, we identify future topics and companies that are responding to social and environmental changes in a significant way. We do not treat sustainability as a product, but consistently incorporate it into our investment processes and include it in the portfolio construction for our discretionary mandates and in the advice we provide to our clients. By doing so, we enable our clients and investors to seize opportunities on the financial markets and profit sustainably.</p>	<p>Annual Sustainability Report (page 27-28)</p>

Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)
<p>4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.</p>	<p>VP Bank Group engages with internal and external stakeholders on a regular basis. This allows us to identify trends at an early stage, integrate lessons learned into our activities and foster a culture of responsible banking through training and awareness raising across the group. The stakeholder engagement process was led by an external consultant to ensure independence and objectivity of the outcome. A detailed list of the parties involved in our stakeholder dialogue is presented in our Sustainability Report 2021.</p> <p>Engagement with our clients is of utmost importance to us. Our investment philosophy includes providing our clients with transparency on the sustainability performance of their portfolios so they can make informed decisions. Therefore, beginning in early 2021, VP Bank Group included the VPSS of their investments in their asset statements. This provides the basis for dialogue between clients and their advisors. In addition, VP Bank Group held client events on the topic of sustainability, including events on purpose investing, which was also the main topic of the fourth issue of the investment magazine "Telescope", and a "Dinner with a Difference" event.</p>	<p>Annual Sustainability Report (page 20)</p>

Principle 5: Governance and culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)
<p>5.1 Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.</p>	<p>We promote client proximity and trust through voluntary commitments to ethical principles in business practices and create a solid foundation for operating principles. Our Code of Conduct, which is well established at VP Bank, and the Bank's values and management principles, underpin VP Bank's binding commitment to ethically correct management and serve as a guide for good conduct. VP Bank's business relationships, both internal and external, are in line with the principles of the International Convention on Human Rights and International Labour Organisation Standards. This includes a ban on forced or child labour in all locations where VP Bank Group operates. Violations of the Code of Conduct or VP Bank Group rules are penalised through disciplinary measures and consequences, as authorised under labour law.</p>	<p>Annual Sustainability Report (page 31-32)</p>
<p>5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.</p>	<p>For VP Bank, a management approach that embraces sustainable corporate leadership plays an essential role in its overall success. As such, we are committed to continuously improving our employment practices and social conduct.</p> <p>To seize current and future opportunities for change and contribute to the sustainability of the financial sector, we have developed our People Strategy, which is composed of multiple action: Talent Academy, Leadership Curriculum, SAQ certification, External development programmes, Equal opportunities, Remuneration, Employee representation.</p>	<p>Annual Sustainability Report (page 33)</p>
<p>5.3 Governance Structure for Implementation of the Principles</p> <p>Show that your bank has a governance structure in place for the implementation of the PRB, including:</p> <p>a) target-setting and actions to achieve targets set</p> <p>b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.</p>	<p>The Group Sustainability department is responsible for setting strategic priorities, developing and implementing the Sustainability Plan 2026 and monitoring progress. This includes supporting different departments with relevant sustainability topics and raising awareness among all employees. The topic of sustainability is firmly anchored in our core business, with the Head of Group Sustainability reporting directly to the Chief Investment Officer (CIO), who in turn reports to the Chief Executive Officer (CEO). Regular updates are provided to the GEM and annually to the Strategy & Digitalisation Committee of the BoD.</p> <p>Management's role in assessing and managing climate-related risks and opportunities: Group Executive Management (GEM) is responsible for the implementation and observance of the Risk Policy approved by the Board of Directors (BoD). It operationalises the BoD's risk appetite and ensures compliance monitoring. It also monitors VP Bank's progress towards targets. The Chief Risk Officer (CRO), as a member of the GEM, is responsible for independent risk monitoring.</p>	<p>Annual Sustainability Report (page 22, 24)</p>
<p>Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.</p>		
<p>VP Bank Group has partially fulfilled the requirements regarding Governance Structure for Implementation of the Principles and continue to integrate sustainability as a core component of our strategy and value generation. We will continue to strengthen the culture and competencies of our employees with respect to sustainability.</p>		

Principle 6: Transparency and accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)
<p>6.1 Progress on Implementing the Principles</p> <p>Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).</p> <p>Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.</p> <p>Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.</p>	<p>VP Banks sustainability strategies sets clear targets for 2026. This is based on a stakeholder engagement analysis to identify key areas of impact and set targets accordingly. Thereby, we ensure alignment of our business strategy with the Paris Climate Agreement, SDGs and relevant national and regional frameworks. To serve our clients, we continuously expand our sustainable product range. To secure the trust from our stakeholders, we have implemented and are continuously developing our governance structure and efforts towards a sustainable culture. We are committed to review these processes on a continuous basis and report periodically and transparently on our progress.</p> <p>To guide us in this journey, we have signed the UN Principles for Responsible Investing (PRI), Principles for Responsible Banking (PRB) and the Net-Zero Banking Alliance (NZBA). Our annual sustainability reporting follows the GRI and TCFD frameworks.</p>	<p>Annual Sustainability Report (general)</p>
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking</p>		
<p>VP Bank Group has partially fulfilled the requirements regarding Transparently reporting on the Progress on Implementing the Principles for Responsible Banking. We have adapted systematic frameworks to ensure the effectiveness and comparability of our reporting. External verification (audit) of our sustainability report is scheduled to take place for the reporting year 2022.</p>		