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# Transparency of Sustainability risks

VP BANK

# Transparency of sustainability risks according to Article 8 of Regulation (EU) 2019/2088

## Introduction

The purpose of this document is to provide an overview of how VP Bank Group defines sustainability risks and integrates them into its investment decision-making process. The information contained herein is based on the internal regulations of VP Bank Group.

## Consideration of sustainability risks

Sustainability risk is defined as an environmental, social, or governance event or condition, the occurrence of which could have an actual or potential material adverse effect on the value of an investment.

VP Bank excludes investments that pose an unacceptably high sustainability risk. Investments must meet minimum criteria in the following three areas: ESG rating, business activities and business practices. Investments that do not meet our minimum criteria are excluded. This assessment is based on data supplied by an external ESG data service provider. The requirements can be summarized as follows:

### ESG-Rating

The ESG rating is composed of the key environmental (E), social (S) and governance (G) factors, depending on the industry. An industry comparison, the rating can range from AAA (best rating) to CCC (worst rating). We exclude the two lowest ratings, B and CCC. For third-party funds and ETFs, we require a certain MSCI minimum coverage and only allow a limited number of investments with B and CCC ratings. The appropriate thresholds depend on the region and its structure.

### Business practices

Business practices relate to the conduct of companies. VP Bank adheres to three internationally recognized standards: the UN Global Compact, the UN Guiding Principles on Business and Human Rights and the International Labour Organization (ILO). We exclude stocks and bonds of companies that violate these international standards or where MSCI has identified "very serious" controversies. Third-party funds and ETF recommendations may include a very small proportion of investments that violate international standards and where "very serious" controversies exist.

### Business activities

Business activities refer to a company's range of products and services. Tobacco, gambling, thermal coal, nuclear energy and controversial weapons are considered "critical" business activities. We exclude companies that generate revenues from these critical business activities above the defined thresholds. Third-party funds and ETFs may contain a very small proportion of companies involved in activities deemed "critical".

## Scope of the assessment

The sustainability risk assessment is performed for all financial products, unless they are not considered investments or financial instruments or serve only as economic risk, e.g.:

- Cash
- Forwards, options, futures

## Application

Investments that do not meet VP Bank's sustainability risk criteria are generally not permitted for this product. These criteria are implemented in the relevant processes underlying VP Bank's investment decisions and recommendations. Recommendations are constantly monitored to ensure that the criteria are met. If an investment becomes inadmissible, it is not recommended and its sale in the portfolio is reviewed as part of the investment process.

The integration of sustainability risks into the investment and advisory processes is governed by the relevant internal regulations of VP Bank Group. VP Bank takes sustainability risks into account within the scope of risk management and integrates them into the overall monitoring and compliance systems and processes. The necessary adjustments of the sustainability audit to the sustainability requirements are made in the systems in accordance with the external ESG regulation. The relevant Compliance and Internal Audit functions, the executive bodies and senior management take account of sustainability risk aspects as part of their duties.

## Assessment of the expected impact of sustainability risks on the return on investment

Sustainability risks vary according to specific risk, regions and asset class. Sustainability risks can have a negative impact on the return of the investment product. In general, these risks can lead to increased default risks of the investments or result in a complete loss of value.