

VP Bank Sustainability Score (VPSS)

VP Bank has developed a sustainability score that measures the level of sustainability of an investment based on multiple dimensions. The aim is to have as broad a basis as possible. Investors might also use the score as an indicator for opportunities and risks from a sustainability perspective. And it allows a comparison between different financial products, such as stocks, bonds or funds.

The VP Bank Sustainability Score (VPSS) comprises five sub-components and is therefore broadly based, enabling it to assess the level of sustainability:

1. ESG rating
2. ESG momentum
3. Business practices
4. Business activities
5. SDG score

Each of these sub-components is assessed based on a specially developed methodology.



1. ESG rating

The starting point of the VP Bank Sustainability Score is the ESG rating by MSCI, a data provider. The ESG rating is an indicator used to assess resilience to financially relevant, sector-specific sustainability risks and opportunities. It is based on the basic components environment (E), social affairs (S) and governance (G). This classification results in a sustainability profile of an enterprise, a state or state agency or a fund.

Results: Our rating scale ranges from "insufficient" to "excellent".

Minimum requirement: All individual securities must have at least a BB rating in order to qualify for our recommendation lists. We exclude the lowest two rating grades within the ESG Rating Methodology, B and CCC.

In the case of third-party funds and ETFs, a certain minimum proportion of the portfolio must be covered by MSCI. The proportion of securities with a B and CCC rating should be lower, but at most the same as that of the regional benchmark. Breaching of certain levels will lead to a reduction of the score.



2. ESG Momentum

The momentum indicator measures to what extent and in what direction the ESG rating has changed. We reward companies, governments or sovereign debtors that improve their sustainability rating. Those who pay little or no attention to the ESG aspects resulting in a downgrade will be penalised. The aim is to finance the transition to a more

sustainable future by investing in companies that demonstrate continuous improvement in their ESG profile.

Results: Improvement or worsening of score.

Minimum requirement: None. The momentum indicator affects the overall score positively or negatively but does not result in an exclusion of a recommendation.

In the case of third-party funds and ETFs, we pay attention to the net result of the securities held with a rating improvement less those with a deteriorating rating.



3. Business practices

Bribery, exploitation and child labour are examples for business practices that are illegal or a breach of international standards. This sub-component assesses the behaviour and business policy of a company. VP Bank is guided by the four internationally recognized standards "UN Global Compact", "United Nations Guiding Principles for Business and Human Rights", "International Labour Organization (ILO) Labour Standards" and "OECD Guidelines for Multinational Enterprises on Responsible Business Conduct". Additionally, certain controversies identified by MSCI are considered. The latter are assessed separately, as certain aspects are not included in the ESG rating at all or to a low degree. For example, in our methodology, the violation of competition law investigated by the authorities may lead to an exclusion of a security if the violation is classified as "very severe". In other cases, bonus points are awarded for good business conduct and deductions are made for "severe" controversies.

Results: Exclusion or improvement or worsening of score.

Minimum requirement: A breach of the above-mentioned international standards or a «very severe" controversy leads to an exclusion from our stock and bond recommendations.

In the case of third-party funds and ETF recommendations, the accepted share of investments held by the fund with breaches of international standards and «very severe" controversies is very low.



4. Business activities

For this sub-category, the business lines of a corporation are analyzed. The focus is on ethical criteria that are matched against the revenue or the practices of a company. There is a gradual approach in the VP Bank methodology. "Critical" business areas are defined as tobacco, gambling, thermal coal, as well as nuclear¹ and controversial weapons. Above a 5 % threshold these activities lead to an exclusion, whereas any tie to nuclear and controversial weapons results in an exclusion. This means that a company cannot be recommended to buy, because of its

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business activities. "Borderline" businesses include pornography, small arms, nuclear energy, genetically modified organisms (GMOs), oil sands¹, for-profit-prisons¹ and fur¹. Again, a threshold of 5% of the portfolio or revenue applies, if not measurable, the mere link to any of these issues will reduce the score. Conventional weapons, fossil fuels¹ and animal welfare are classified as "questionable" and may have a negative impact on the score if the level exceeds 5% or if there is a link. All these areas of business are being questioned if there is a greater focus on sustainability. Accordingly, there is a risk that investors will exit such assets on a large scale, which may lead to higher capital costs and lower performance. Companies that do not operate in any of the above-mentioned areas will receive a bonus.

Results: Exclusion or improvement or worsening of score.

Minimum requirement: Companies that breach thresholds in business areas we classify as "critical" are not recommended.

The portfolio of third-party funds and ETFs may only contain a very small proportion of companies operating in areas considered "critical".



5. SDG Score

Truly sustainable companies not only operate sustainably, but their activities also contribute to the achievement of the UN's Sustainable Development Goals (SDGs). The SDGs are the core of the 2030 Agenda and consider the economic, social and environmental dimensions of sustainable development. The SDG Score therefore compares a company's products and activities or dedicated impact solutions with the 17 UN development goals and measures the extent to which they contribute to or contradict the achievement of the goals. The measurement is done separately for each of the 17 goals. These are then combined to form the SDG score. Critical activities are defined for each goal. For the activities, the negative impact tends to be measured on the operational side, for example based on controversies that can be assigned to an SDG. For the activities, on the other hand, both negative and positive aspects of revenue generation are measured.

Results: Depending on the score, there is an improvement or a worsening of the overall result.

Minimum requirements: None. The SDG score affects the overall score positively or negatively but does not lead to exclusion.

On a fund level, there exists an aggregated version of each SDG score.

Please take a look at the chart on the next page

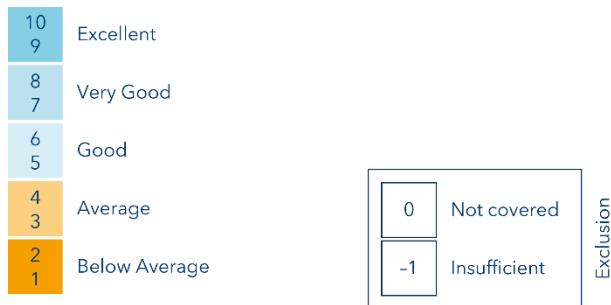
¹ available on a single title level only

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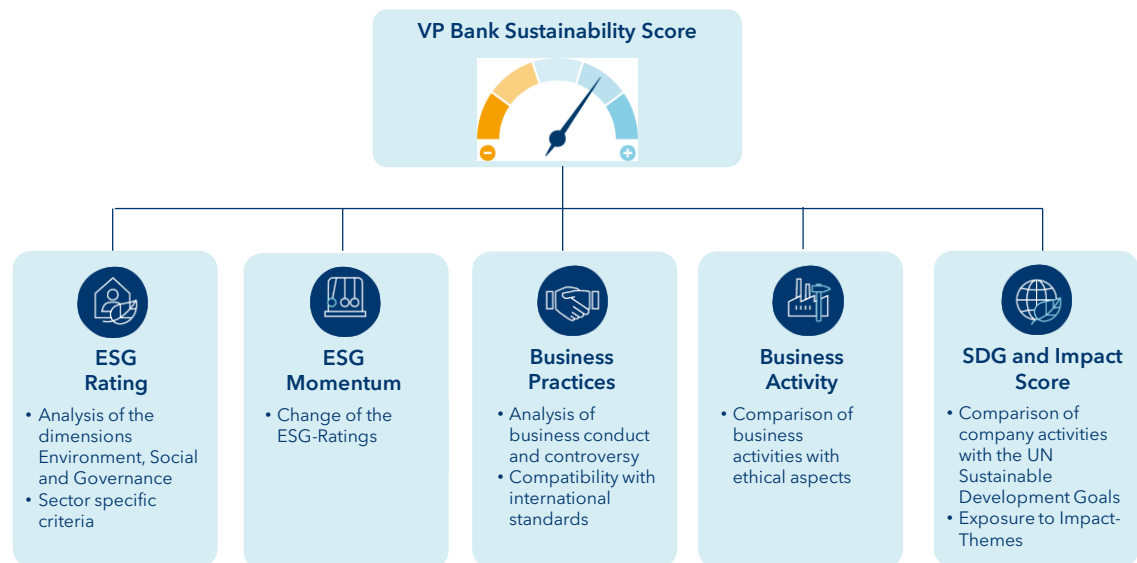


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Whether on a security, on a portfolio or on a fund level, the sustainability assessment results in a sustainability score (as described above). The scale ranges from -1 to 10, where -1 is "insufficient", 0 is "not covered". Scores from 1 to 10 are divided into five buckets.



VP Bank Sustainability Score - the components



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