Group Standard

Authority CEO	Title Responsible Investment Policy	Field Sustainability, ESG	Number GS-23-2308
Owner CIO	**Date** 17 August 2023	**Replaces** GS-23-2109	**Resubmission** 17. August 2025

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1. General Provisions

1.1. Purpose

The purpose of this group standard is to outline how VP Bank defines responsible investing and incorporates sustainability into their own investment process but also in the context of MiFID II-related investment services where sustainability preferences of clients are included in the bank's sustainability assessment (product governance rules).

1.2. Basis

At VP Bank, sustainability factors have long been an integral part of our careful selection of individual investments and funds. Such criteria are also part of our considerations when constructing a portfolio and when advising our clients. Along these lines, this policy adds to VP Bank's commitment to the UN Principles for Responsible Investing (PRI). As part of our ambition and long-term strategy, VP Bank integrates sustainability factors into all its discretionary portfolio management and investment advisory mandates, as well as its own investments, as defined in this policy.

1.3. Scope

This standard applies to the following services of VP Bank:

- Discretionary portfolio management[1]
- Investment advice[2]
- VP Banks' own investments

This standard does not apply to:

- Execution only or non-advised client assets
- Services to intermediary clients
- Funds managed through VP Fund Solutions

This group policy takes effect for VP Bank and the following subsidiaries:

Name	LEI
VP Bank Ltd	MI3TLH1I0D58ORE24Q14
VP Bank (Switzerland) Ltd	54930066YZFYEEPGIP56
VP Bank (Luxembourg) SA	549300FKMQ4CQTPLCI28
VP Bank (BVI) Ltd	5493006RC8WBL0CUBE87
VP Bank Ltd Singapore Branch	549300ZLFTWDKYVN3U18
VP Wealth Management (Hong Kong) Ltd	254900HWHGUUT7JLZB92
VP Bank Ltd Hong Kong Representative Office	MI3TLH1I0D58ORE24Q14

[1] Clients can add investments to their portfolio according to their preferences, beyond what is suggested as part of the VP Bank discretionary portfolio management mandate. Such individual investment decisions are outside of the control of VP Bank and not subject to this policy.

[2] Once the advisory portfolio has been delivered to the client, the client is responsible for constructing and managing the investment portfolio - whether in line with the advice or not is solely at the discretion of the client.

2. Definitions

2.1. Responsible investment

Responsible investment strategies and practices incorporate environmental, social and governance (ESG) factors when making investment decisions and can involve actively influencing companies or assets (i.e. active ownership or stewardship). It complements traditional financial analysis and portfolio construction techniques.

2.2. Sustainable investment

Sustainable investment, as defined by Article 2(17) of the SFDR, means an investment in an economic activity that contributes to an...

- environmental objective
  as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or
- social objective
  referring to an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or human capital or economically or socially disadvantaged communities,

…provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

2.3. Sustainability factors

Sustainability factors mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

2.4. Sustainability risk

Sustainability risk or ESG risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

2.5. Double Materiality

Double materiality is the union of 'impact materiality' and 'financial materiality'. Sustainability risk or ESG risk refers to 'financial materiality' and as such the potential effect of sustainability factors on an investment. Principal Adverse Impacts refers to 'impact materiality' and as such the negative effects of investment decisions on sustainability factors.

2.6. Principal Adverse Impacts

Principal adverse impacts are the negative consequences on sustainability factors of investment decisions or investment advice, such as environmental, social and employee concerns, respect for human rights, anti-corruption and anti-bribery concerns.

2.7. Active ownership

Active ownership is the use of the rights and position of ownership to influence the activities or behaviour of investee companies. Active ownership can be applied differently in each asset class. For listed equities, it includes shareholder engagement and (proxy) voting.

2.8. Shareholder engagement

Shareholder engagement captures any interactions between the investor and current or potential investee companies on ESG issues and relevant strategies, with the goal of improving (or identifying the need to influence) ESG practices and/or improving ESG disclosure. It involves a structured process that includes dialogue and continuously monitoring companies. These interactions might be conducted individually or jointly with other investors.

2.9. (Proxy) Voting

Voting refers to the exercise of voting rights on management and/or shareholder resolutions to formally express approval (or disapproval) on relevant matters. In practice, this includes taking responsibility for the way votes are cast on topics raised by management, as well as submitting resolutions as a shareholder for other shareholders to vote on (in jurisdictions where this is possible). Voting can be done in person, during an Assembly General Meeting (AGM), or by proxy.

3. Responsible Investment Policy

3.1. Responsible investment principles

VP Bank commits to the following principles:

- Integrate sustainability factors into our investment process
- Apply sustainability factors consistently into all in-scope investment and advisory processes
- Apply the same philosophy to our own investments as we do for our clients
- Avoid investments that pose an unacceptably high sustainability risk and adverse impacts on sustainability factors by defining clear thresholds, as part of the VP Bank Sustainability Score (VPSS).
- Optimize the sustainability performance at portfolio level, rather than focusing on individual products
- Provide transparency to our clients on sustainability risks and factors of their investments

3.2. Our responsible investment philosophy

Our responsible investment philosophy is based on the concept of double materiality. In terms of financial materiality, we incorporate sustainability risks and opportunities in our investment and advisory processes in a way that creates added value for investors. Sustainability risks and opportunities are prioritized based on their industry and sector specific financial materiality. Moreover, we incorporate impact materiality as an input to our investment decisions and investment advice, by considering if the business activities of investee companies align with or contradict the achievement of the UN Sustainable Development Goals (SDGs).

3.3. Advocacy and memberships

Through our sustainability plan, we strive to contribute to the achievement of the UN Sustainable Development Goals and to the 2015 Paris Agreement. Our responsible investment policy aims for our investee companies to be aligned with our ambitions. As such, companies we invest in should uphold minimum standards including, but not limited to, human and labour rights, diversity & inclusion, and anti-corruption.

We consider our voluntary self-commitments in various initiatives to be important for sharing experiences, accelerating positive environmental and social impact and actively assuming social responsibility. Accordingly, we actively participate in organisations where we can contribute to progress, learn from experts and colleagues, share knowledge and experience, keep abreast of emerging issues and support our strategy and commitment.

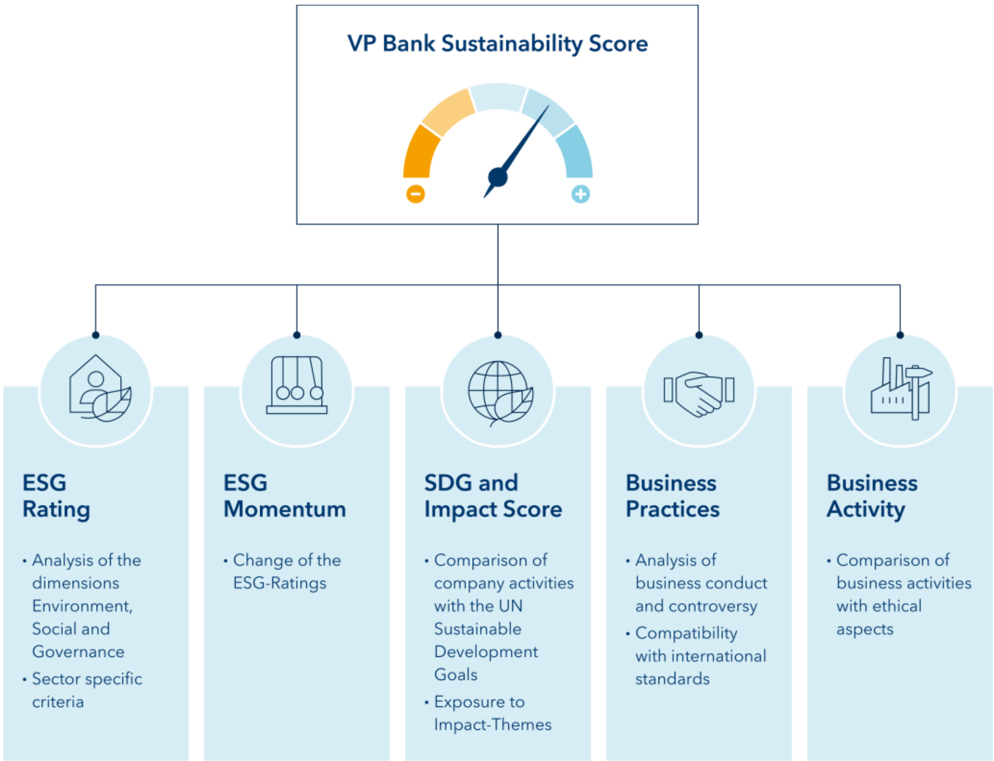
Initiative	Abr.	Description
UN Global Compact	UNGC	We are committed to upholding our responsibilities in four areas: Human Rights, Labour, Environment and Anti-Corruption.
Principles for Responsible Investment	PRI	We are committed to responsible investment.
Principles for Responsible Banking	PRB	We are committed to taking more responsibility for climate protection and sustainability.
Net-Zero Banking Alliance	NZBA	We are committed to achieving net-zero emissions for all on-balance sheet loan and investment positions by 2050 or earlier.
Women in Finance	WIF	We are committed to promoting the progression of women at all levels, including at senior and board levels.
Advance	ADV	We are committed to reach a minimum of 30% female representation at all management levels across all member companies by 2030.

3.4. Responsible investment approach

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

VP Bank incorporates sustainability criteria into the assessment of investments. Our belief is that sustainable investment is beneficial to all investors if put into practice properly. While there is no uniform definition of sustainability, there is a broad consensus that ESG factors best summarise the criteria. Specialised rating providers determine the extent of an enterprise's impact on the environment (E), how it behaves vis-à-vis different stakeholders (S) and how high the quality of corporate governance (G) is. The VP Bank Sustainability Score (VPSS) is broad based because sustainability for us is more than ESG. More specifically, the score consists of five sub-components: ESG rating, ESG momentum, Business practices, Business activity, and Sustainable Development Goals.

Each of these sub-categories is assessed according to a specially developed methodology. The VP Bank Sustainability Score was designed in such a way that investments with a high value are also expected to demonstrate a better long-term risk-reward-ratio.



3.4.1. ESG rating

The starting point of the VP Bank Sustainability Score is the ESG rating by MSCI, a data provider. 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. ESG factors show how, for example, a company is prepared to deal with future risks such as climate change or changes in society like shifting consumer habits. Factors are varying depending on the sector and the asset class.

Concept: We reduce ESG risks in our portfolios by avoiding companies with low ESG ratings.

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

Minimum requirement: All individual stocks or bonds must have at least a BB rating to qualify for our recommendation lists. We exclude the lowest two rating grades according to the MSCI rating, B and CCC. In addition to this minimum requirement for individual securities, we also set a high standard for the portfolios of the VP Bank Risk Optimised ESG funds.

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 reference index. Breaching of certain levels will lead to a reduction of the score.

3.4.2. ESG Momentum

The momentum indicator measures to what extent and in what direction the ESG rating has changed. We reward companies or 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. Taking the rating momentum into account, preference will be given to those who could set up an ESG rating premium in the future. This leads to a better timing since many professional investors are only paying attention to ESG ratings and are not allowed to buy shares or corporate bonds under their statutes until the rating has been issued.

Concept: We finance the transition to a more sustainable future, by investing in companies that show a continuous improvement in their ESG performance.

Results: Improvement or worsening of score.

Minimum requirement: None. The momentum indicator affects the overall score positively or negatively but does not result in exclusion from 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 deterioration.

3.4.3. Business practices

Bribery, exploitation and child labour are examples of businesses practices that are illegal or in breach of international standards. This sub-component assesses the behaviour and commercial policy of an enterprise. VP Bank is guided by the three internationally recognised standards "UN Global Compact", "United Nations Guiding Principles for Business and Human Rights" and "International Labour Organization (ILO) Labour Standards", as well as the controversies identified by MSCI. 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.

Concept: We avoid companies with business practices that are illegal or in breach of international standards.

Results: Exclusion or improvement or worsening of score.

Minimum requirement: A breach of the above international standards or a "very severe" controversy leads to an exclusion from our stock and bond recommendations. VP Bank ESG funds also exclude direct investment in such companies.[3]

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.

3.4.4. Business activity

For this sub-category, the business lines of a corporation are analysed. The focus is on ethical criteria that are matched against the turnover 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, nuclear and controversial weapons. Above a 5% threshold these activities lead to exclusion, yet any links to controversial weapons are equal to exclusion. This means that a company is not recommended to buy because of its business activities. "Borderline" businesses include pornography, small arms, nuclear energy, genetically modified organisms (GMOs), oil sands[4], for-profit prisons[4] and fur[4]. They shall result in a deduction depending on the extent of the deduction. Again, a threshold of 5% of the portfolio or turnover applies, if not measurable, the mere link to any of these issues will reduce the score. Conventional weapons, fossil fuels[4] and animal welfare are classified as "questionable" and may have a negative impact on the score if the proportion 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.

Concept: We have minimum ethical standards for business activities undertaken by investee companies.

[3] A rating change will be incorporated at the next rebalancing.
[4] Only available on a single stock level.

Results: Exclusion or improvement or worsening of score.

Minimum requirement: Companies that breach thresholds in business areas we classify as "critical" will not be recommended. VP Bank ESG funds are not allowed to invest in such assets.[3]

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

3.4.5. SDG Alignment

We believe that sustainable companies should 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 Alignment Score therefore compares a company's products and activities 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 Alignment Score.

Concept: We favour business that demonstrate a positive alignment with the SDGs.

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

Minimum requirements: None. The SDG Alignment 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 Alignment Score.

3.5. Principal Adverse Impacts

In accordance with Article 4 of SFDR, VP Bank considers *principal adverse sustainable impacts* at an entity level and reports on their performance accordingly.[5] The Principal Adverse Impact Statement is published annually on our website. Whether, and if so which, principal adverse impacts on sustainability factors are considered at the product-level is determined by the pre-contractual information of the respective financial product.

3.6. Active ownership

VP Bank is continuously reviewing its approach on engagement and voting, as well as its role as a corporate citizen. As of now, VP Bank does not take actions to engage with investee companies and exercise of voting rights for investment in scope of this policy.

3.7. Training

VP Bank has implemented a training programme to ensure the awareness and understanding of sustainability concepts, responsible investing and VP Bank's approach on sustainability in its operations and product offering. Refreshers are provided to reinforce key points and provide updates. Through the training, employees are better equipped to serve our clients and fulfil their needs.

3.8. Governance

The investment process is headed by the CIO. The advisory process is headed by the Head of CII. The portfolio management process is headed by the Head of IIM. The integration of responsible investment criteria into the investment and advisory processes are governed according to the relevant VP Bank policy frameworks and integrated in its overall monitoring and compliance systems and processes. Roles and responsibilities for this group standard are the same as defined in the framework directive "Group

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[5] The Principal Adverse Impact Statement is the consolidated statement of principal adverse impacts on sustainability factors for VP Bank, specifically: VP Bank Ltd; VP Bank (Switzerland) Ltd; VP Bank (Luxembourg) SA.

Investment Policy" (FD-09-2104, Annex 1). The relevant investment, compliance, internal audit function, management body and senior management are responsible to implement aspects of this group standard according to their respective duties.

3.9. Compliance and monitoring

Products that do not meet VP Banks's responsible investment criteria are in general not eligible for discretionary portfolio management and advisory mandates. 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 clients have holdings in these assets, we will notify clients and offer alternative solutions. In the case of in-scope portfolio or fund management mandates, ineligible financial instruments are reviewed for sale. Please refer to the group standard "Portfolio Construction" (GS-57-2306) for a detailed description of our methodology.

Compliance and monitoring are conducted in accordance with the relevant policies and procedures in the Group Policy Framework. These mechanisms ensure that this group standard is applied consistently.

3.10. Reporting and transparency

Our investment philosophy includes providing our clients with transparency on the sustainability performance of their portfolios so they can make informed decisions. The VP Bank Sustainability Score (VPSS) is a systematic approach to increase transparency and understanding related to sustainability factors regarding the companies we invest in and as such the products we offer to our clients. Therefore, clients receive information on the VPSS performance of their portfolio as part of their periodic asset statement.

Following our commitment to transparency and the EU regulatory requirements, we also provide sustainability information at an entity-level, including:

- Sustainability Report, incl. TCFD-Report
- Principal Adverse Impact (PAI) Statement
- Sustainability Risk Statement

4. Entry into force

This group standard was passed by the Group CEO and the functionally responsible CIO on the 17 August 2023 and enters into force on the 17 August 2023. The owner of the group standard confirms as of 17 August 2023 that the mandatory consultation bodies (according to RACI) were involved and that they are informed about the local enactment. In addition, the local implementation has also been initiated and the operational changes affecting systems and processes have been completed.

Annex 1 – RACI

Subject	Process	VP Bank Group		Divisions					
		CEO	Regional Heads (incl. Local CEOs)	CIO	CSY	CII	GIV	IIM	RIS
Responsible investment principles	Systematic integration and monitoring (1LoD) of sustainability factors to in-scope discretionary portfolio management mandates.		I	A	C	C	I	R	
Responsible investment principles	Systematic integration and monitoring (1LoD) of sustainability factors to in-scope advisory mandates.		I	A	C	C	R	I	
Responsible investment principles	Systematic integration and monitoring (1LoD) of sustainability factors to VP Banks' own investments.			I	C	C			A/R
Responsible investment approach	Methodological changes to VP Bank Sustainability Score (VPSS).		I	A	C	R	I	C	C
Advocacy and memberships	Changes to sustainability-related voluntary self-commitments.	A/R	I		C				
Active ownership	Changes to the approach on shareholder engagement and (proxy) voting.		I	A	R	I		C	C
Reporting and transparency	Reporting of ESG and sustainability-related information as part of clients' periodic asset statement.		A/R		C		C	C	
Training	Implementation and rollout of ESG/Sustainability-related trainings.		A	C	R	C			

Responsible (R) – responsible for the actual implementation (responsibility for implementation). The person who gives the initiative for the implementation (also by others). He/she can also carry out the activity him/herself. Also interpreted as responsibility in the disciplinary sense.

Accountable (A) – accountable (cost or overall responsibility), responsible in the sense of "approve", "endorse" or "sign". The person who bears responsibility in the legal or commercial sense. Also interpreted as responsibility from a cost centre perspective.

Consulted (C). A person who may not be directly involved in the implementation but has relevant information for the implementation and therefore should or must be consulted.

Informed (I) – to inform (right to information). A person who receives information about the progress or outcome of the activity or has the right to receive information.

Annex 2 – Abbreviations

Abr.	Description
CII	CIO Office
CIO	Chief Investment Officer
GEM	Group Executive Management
ICO	Group Investment Compliance
IIM	Group Investment Management
ADV	Advance - Gender Equality in Business
CSY	Group Sustainability
DNSH	Do No Significant Harm
ESG	Environment, Social and Governance
ETF	Exchange Traded Fund
GFR	Group Financial Risk
GIV	Group Investment Consulting
ILO	International Labour Organization
NZBA	Net-Zero Banking Alliance
PAI	Principal Adverse Impacts
PPC	Product and Pricing Committee
PRB	Principles for Responsible Banking
PRI	Principles for Responsible Investment
RIS	Group Treasury
SDG	UN Sustainable Development Goals
SFDR	Sustainable Finance Disclosure Regulation
TCFD	Task Force on Climate-Related Financial Disclosures
UNGC	United Nations Global Compact
VPSS	VP Bank Sustainability Score
WIF	Luxembourg Women in Finance