

Sustainability risk integration in investment decisions and advice

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Disclosure pursuant to Article 3 of Regulation EU/2019/2088



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INTRODUCTION

The purpose of this document is to provide an overview of how VP Bank Group defines sustainability risks and how these are integrated into its investment decision making and advisory processes. The information described in this document is anchored in VP Bank Group's policy frameworks.

Applicability

The assessment and integration of sustainability risks apply to the following:

- VP Bank Group and all its locations
- All investment and advisory decisions including portfolio management, fund management, and investment advice

This does not apply to:

- execution only services
- services to intermediary clients

SUSTAINABILITY RISKS CONSIDERATION

A sustainability risk is defined as 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 an investment;

VP Bank excludes investments that pose an unacceptably high sustainability risk 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. The information for this assessment is provided by an external ESG data provider. 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. 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 structure.

Business practices

Business practices refer to the behaviours of enterprises. VP Bank is guided by three internationally recognised standards: "UN Global Compact", "United Nations 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».

ASSESSMENT SCOPE

Sustainability risk assessment is conducted on all financial products 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

HOW THIS IS APPLIED

Products that do not meet VP Banks's criteria for sustainability risk 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 contains such investments, we will notify clients and offer alternative solutions. In the case of portfolio management mandates, ineligible financial instruments are sold.

The integration of sustainability risks into the investment and advisory processes is governed according to the relevant VP Bank Group's policy frameworks. VP Bank takes into account sustainability risks within its risk management framework and integrates it in its overall monitoring and compliance systems and processes. The necessary adjustments in the suitability test regarding sustainability requirements will be implemented in the systems in line with the external ESG Regulation. The relevant compliance, internal audit function, management body and senior management consider aspects related to sustainability risk in their respective duties.

