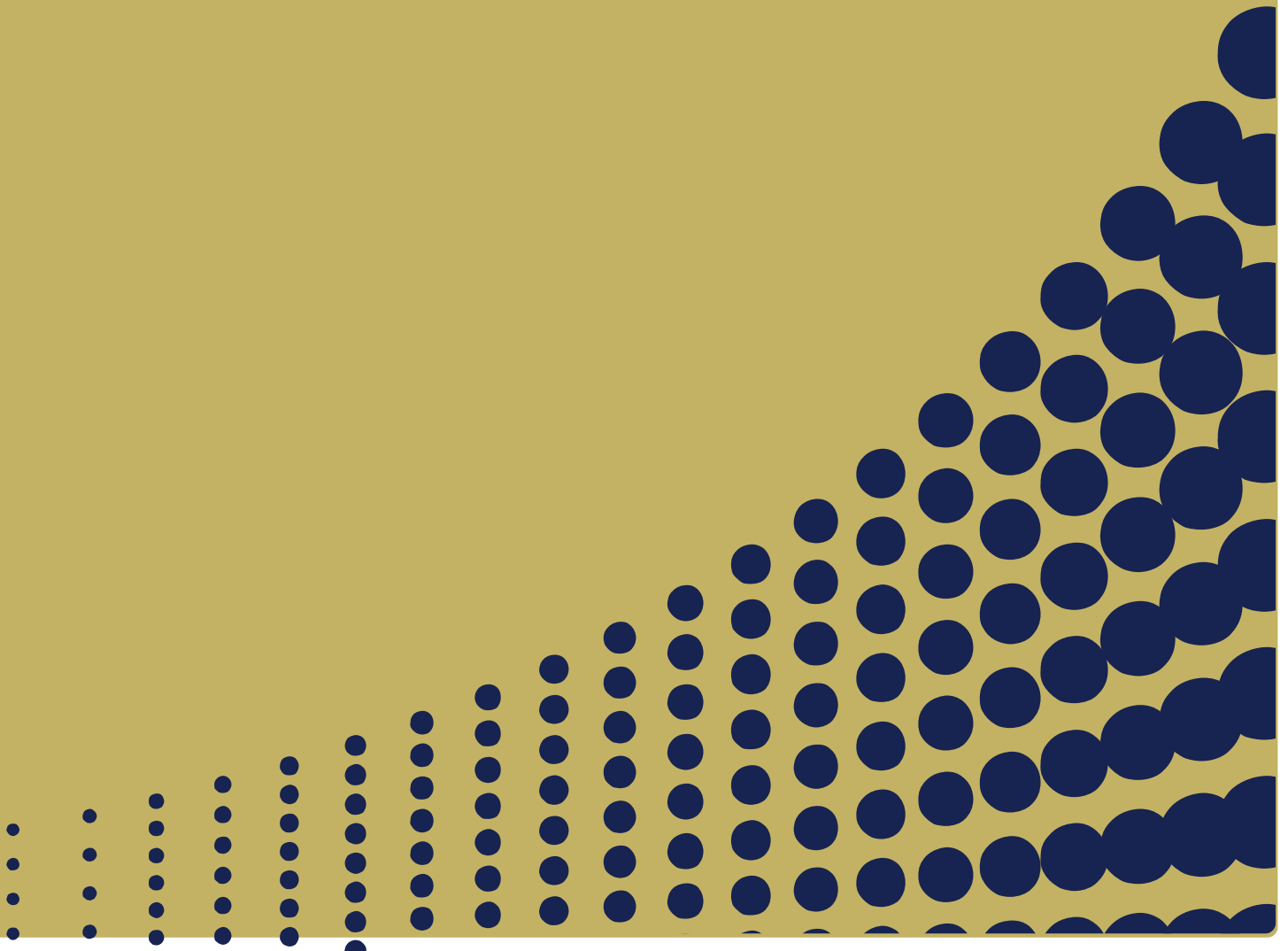


# United Nations Global Compact Annual Communication on Progress 2016

January 2017



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## Contacts for queries

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## Portrait of VP Bank



## VP Bank Group

### Global presence

We are VP Bank Group: anchored in Liechtenstein, present across the globe.

VP Bank was established in 1956 and nowadays has roughly 800 employees. Today VP Bank Group has a worldwide presence, with offices in Vaduz (head office), Zurich, Luxembourg, Tortola (British Virgin Islands), Singapore, Hong Kong and Moscow.

Our core competencies are tailor-made asset management, investment advisory and wealth planning for sophisticated private clients. We are also a well-established partner for financial intermediaries, who particularly appreciate our wealth of experience and modern infrastructure.

VP Bank Group has a sound balance sheet and a strong capital base. It is listed on the Swiss stock exchange and is rated "A-" by Standard & Poor's on account of its outstanding financial strength.

### Convincing numbers and facts

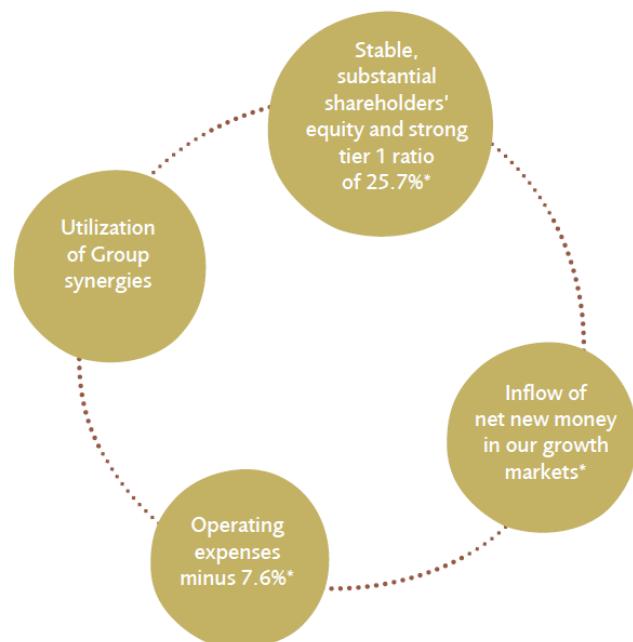
- Solid shareholders' equity base and a tier 1 ratio in excess of 24%<sup>1</sup>
- Balanced shareholder structure – stable, industry-independent shareholders and a public free float of 41.89%<sup>1</sup>
- Sustained profitability and an attractive payout ratio of currently about 40%<sup>2</sup>
- Open, independent investment architecture to the best advantage of our clients
- Highly motivated, excellently skilled employees
- Moderate yet continuously profitable growth – organically as well as through targeted acquisitions

<sup>1</sup> Status as at 30 June 2016 <sup>2</sup> Status as at 31 December 2015

## VP Bank at a glance

### Facts & figures

- Founded in 1956
- Largest independent bank in Liechtenstein
- Client assets: CHF 39.8 billion \*
- Assets under management: CHF 34.0 billion \*
- Total assets: CHF 11.5 billion\*
- Shareholders' equity ratio: 7.7% \*
- Cost/income ratio: 68.9% \*
- Tier 1 ratio: 25.7% \*
- Leverage ratio: 7.4% \*
- 735 employees (full-time equivalents) \*
- Listed on SIX Swiss Exchange
- "A-" rating (stable) from Standard & Poor's
- Seven locations worldwide in key financial centres
- Focus on asset management for private individuals and intermediaries



\* Status: 30 June 2016

## Locations and markets of VP Bank



- Locations with bank status
- Asset management companies and representative offices

### Target markets Europe

Liechtenstein  
Switzerland  
Germany  
Luxembourg  
Russia  
Ukraine

### Target markets Asia

Singapore  
Hong Kong  
Indonesia  
Malaysia  
Thailand

## VP Bank's clients

### Direct client business

- VP Bank is focusing on three defined client segments:
- High Net Worth Individuals (HNWI) Liechtenstein, Switzerland and International (from CHF 1 million)
- Affluent Liechtenstein and Switzerland (from CHF 100'000 up to CHF 1 million) as well as Affluent International (from CHF 250'000)
- Retail Liechtenstein and Switzerland (up to CHF 100'000) as well as Retail International (up to CHF 250'000)

### Fiduciary business

- Focusing on large fiduciaries with an international orientation
- Strategic partnerships
- Key account management approach

### External asset managers

- Focusing on medium-sized managers
- Positioning as top-service bank
- Personal relationship with our clients

## VP Bank's vision

### Clients are the focal point

We have prescribed for ourselves a clear vision:

**We generate enthusiasm by offering our clients unique experiences – this is why they recommend us.**

### Client proximity and client trust

For us, that means:

- uncompromising orientation towards client satisfaction and service quality;
- a holistic approach to advising clients and offering them the advantages of open architecture;
- professional client-feedback management;
- segmentation of our client base according to volumes, markets and investment profiles;
- resolute devotion to ethical values in all of our activities, this through the personal commitment of each and every employee.

The ambassadors of this vision are our employees, who benefit from ongoing professional training and a wide range of opportunities for personal development. We view motivated, skilled, service-oriented advisors as the decisive factor in our ability to engender and preserve the trust of all our clients.

## VP Bank's strengths

### First-class solutions

- Our open architecture approach means our clients are sure to receive independent advice from us. Working with our partners around the globe, we recommend the investment instruments best suited to our clients' needs or in special situations come up with our own innovative solutions.
- For many years we have been earning the top industry awards for the quality of our advice and services.

### Service professionalism

- For all their financial matters, our clients have a trustworthy contact person they can depend on at all times and who can draw on the expertise of carefully selected specialists.
- Our global presence gives us a wide range of competencies that can be combined to produce customised solutions. As a result, we can always take into account country-specific conditions.

### High degree of security

- VP Bank Group's capital base is much stronger than required by international standards.
- Our principal shareholders take a long-term view and thus ensure continuity, independence and sustainability.
- Our well-diversified business model and prudent business policy mean that we act with responsibility and diligence. For that reason, VP Bank does not engage in investment banking.

## CEO Statement – UNGC Business Commitment

Foresighted management and responsible business practices have always been the foundations of VP Bank Group's business success.

VP Bank Group is committed to the principle of sustainable business practices. It wants to secure the foundation of its economic success for the long-term. Employee relations should be marked by respect and a sense of responsibility. VP Bank strives to live up to its environmental responsibility through targeted measures aimed at using resources sparingly.

Through its business activity, VP Bank is also engaged in lively interaction with society, thereby helping to further develop and secure Liechtenstein as an economic and manufacturing centre.

By joining the UN Global Compact in 2016, we have made a commitment to uphold the social and environmental standards identified through the Ten Principles. This memorandum provides you with an overview of our sustainable activities and allows you to see how we address our social, economic and environmental challenges.

We would like to thank our employees and partners, whose commitment will enable us to reliably and comprehensively achieve our visions and goals of a sustainable and responsible bank in the years ahead.

A handwritten signature in black ink, appearing to read 'A. Moeckli', written in a cursive style.

Alfred W. Moeckli  
Chief Executive Officer  
VP Bank Group

Vaduz, 16.1.2017



# UN Global Compact Communication on Progress (COP)

AR = 2015 Annual Report; IR = 2016 Interim Report; CoC = Code of Conduct

Human Rights Principles		
Principles	Disclosures	Source and Guidelines
<p><b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights</p>	<p>VP Bank obligates all employees joining the bank to comply with a Code of Conduct (CoC), which sets forth VP Bank's binding ethical principles and serves as a guide for good conduct. The CoC requires all employees to respect the dignity, character and privacy of other employees. In addition, VP Bank's staff regulations – a set of instructions and part of every employment contract – address the issue of equality as it relates to human rights along with other issues. These staff regulations apply to all VP Bank employees.</p> <p>The CoC applies throughout the entire VP Bank Group. It is available for download on the VP Bank intranet as well as on the website. All employees receive a copy of the CoC, and new employees are instructed about its various provisions.</p> <p>Code of Conduct violations are met with uncompromising disciplinary measures and consequences in accordance with labour law. No violations occurred in the year under review.</p> <p>VP Bank does not yet have an explicit diversity policy but is committed to diversity at all employee and management levels. For example, persons with physical or mental disabilities are also among the VP Bank Group employees. Whenever possible, employees with chronic medical conditions are reintegrated into the workplace with professional support. Since 2016, the Board of Directors has two female members and in 2017 a woman joined the Executive Management team.</p>	<p>→ Code of Conduct → 2015 AR, Corporate Strategy / Sustainability / "VP Bank's Commitment" (p. 36)</p> <p>→ VP Bank staff regulations</p>
<p><b>Principle 2:</b> make sure that they are not complicit in human rights abuses</p>	<p>VP Bank's business relationship with stakeholders, both within the organisation and externally (i.e. including the supply chain), is in line with the principles of the International Convention on Human Rights and the ILO standards. VP Bank suppliers are committed to supplying only merchandise and goods originating from countries and producers that adhere to International Labour Organization conventions. The conventions establish minimum standards for the respect of human rights.</p> <p>VP Bank works to ensure that its values are shared by all partners along the</p>	<p>→ 2015 AR, Corporate Strategy, VP Bank's Suppliers (p. 47) → VP Bank Procurement Principles → <a href="http://www.vpbank.com">www.vpbank.com</a></p>

	<p>entire supply chain worldwide. The criteria used in the selection of VP Bank suppliers include not just price, performance and product quality as regards specifications and creditworthiness but also the suppliers' compliance with applicable laws and adherence to environmental and social standards.</p> <p>VP Bank is committed to upholding the personal rights of its employees. An impartial department deals with issues of sexual harassment and bullying and supports employees professionally.</p>	<p>/ Responsibility / Legal, Compliance &amp; Tax  → <a href="http://www.vpbank.com">www.vpbank.com</a> / Responsibility / Corporate Governance; see 2015 Corporate Governance Report  → 2015 AR, Corporate Strategy / VP Bank's Sustainability / "VP Bank's Commitment"</p>
<p><b>Labour Principles</b></p>		
<p><b>Principle 3:</b>  Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining</p>	<p>VP Bank has 735 employees (full-time-equivalent, not including trainees, at 30.06.2016) at seven offices worldwide.</p> <p>Freedom of association is guaranteed throughout the Group in accordance with applicable legal regulations. Informal dialogue with employees is also always encouraged. Employment agreements are negotiated mainly on an individual basis instead of through collective bargaining.</p> <p>At the Vaduz office, the in-house employee association (<i>Arbeitnehmervertretung - ANV</i>) was established for Liechtenstein as from 1998 and expanded accordingly following the 2014 merger with Centrum Bank. The ANV in Liechtenstein represents approximately 60% of all Group employees worldwide.</p> <p>The employee associations are organised as follows in the Group:</p>	<p>→ see 2016 IR, Key Figures (p. 11)</p> <p>→ see 2015 AR, Corporate Strategy / Employees of VP Bank (p. 39)</p>

Employee associations with VP Bank Group (at 1/2017)				
Office	ANV / Works Council	Legal requirements	Headcount (at 30.6.2016)	FTE headcount (at 30.6.2016)
Liechtenstein	ANV	Mandatory above 50 employees	VP Bank 514 Fund Solution 33	VP Bank 464.1 Fund Solution 32
Switzerland	none	Voluntary above 50 employees	61	56.5
Luxembourg	Works council	Mandatory for employers with at least 15 employees	99	91.6
Singapore	none	Voluntary	39	39
Hong Kong	none	Voluntary	8	8
BVI	none	Voluntary	15	15

<p><b>Principle 4:</b> the elimination of all forms of forced and compulsory labour</p>	<p>VP Bank's Code of Conduct requires all employees to comply with applicable legal obligations. This provision bans forced or child labour in all countries where VP Bank has operations.</p> <p>VP Bank suppliers are also required to supply only merchandise and goods originating from countries and producers adhering to International Labour Organization standards. The ILO conventions establish minimum standards for adherence to human rights and clear guidelines on such issues as child labour.</p>	<p>→ Code of Conduct → VP Bank Procurement Principles (p. 47)</p>
<p><b>Principle 5:</b> the effective abolition of child labor</p>	<p>No children are employed anywhere in the VP Bank Group. We are not aware of any human rights violations in 2016 – in particular forced or child labour – and as a result did not have to take any corrective action.</p>	
<p><b>Principle 6:</b> the elimination of discrimination in respect of employment and occupation</p>	<p>VP Bank has issued clear guidelines on employee relations and support (CoC). Employees are required to respect the dignity, character and privacy of each individual. Personal interactions are guided by respect, fairness, support, professionalism and openness.</p> <p>Any form of discrimination, notably in the employment area and regardless of whether it involves age, disability, origin, gender, marital status, political orientation, race or religion, is expressly prohibited. Code of Conduct violations are met with uncompromising disciplinary measures and consequences in accordance with labour law.</p> <p>VP Bank offers all employees equal hiring and promotion opportunities. Employee performance appraisals are conducted in a fair, objective and transparent manner.</p> <p>We are not aware of any violations of the basic principle of equality in 2016</p>	<p>→ Code of Conduct → VP Bank Staff Regulations → 2015 AR Corporate Strategy / Employees of VP Bank</p> <p>2015 Diversity: AR p. 56</p> <p>-&gt; Compensation Report / Principles</p>

	and therefore did not have to take any corrective measures. Employee hiring is based on clearly defined requirements and qualification criteria separate from age, gender, nationality or religion.	(2015 AR, p. 77)
<b>Environmental Principles</b>		
<b>Principle 7:</b> Businesses should support a precautionary approach to environmental challenges	<p>VP Bank's role in society, i.e. its corporate citizenship, is characterised by its active responsibility toward stakeholders and the environment. VP Bank's business is aligned with long-term economic, environmental and social compatibility, a key factor underlying its success. VP Bank Group is committed to the principle of doing business sustainably.</p> <p>Through its sustainability policy, VP Bank defines minimum standards for products and services. In that regard, VP Bank strives to keep its bank activity carbon neutral. A video conferencing system reduces travel activity.</p>	<p>→ 2015 AR Corporate Strategy / Sustainability (p. 36)</p> <p>→ 2015 AR Corporate Strategy / Sustainability and Business Ecology (p. 36, p. 50)</p>
<b>Principle 8:</b> undertake initiatives to promote greater environmental responsibility	<p>One essential way that a bank can strengthen environmental awareness is through its line of sustainable and responsible investment products and services.</p> <p>The Bank plans to further promote the issue of sustainability in 2017 through both the investment process and products as well as with a special committee focusing on the products.</p> <p>VP Bank's Code of Conduct (CoC) requires that the bank and its employees conserve natural resources as much as possible. On all business decisions, the overall environmental impacts are taken into account during the decision-making process. For many years, VP Bank has endeavoured to reduce its energy, paper and water consumption while also reducing the amount of waste generated. Energy conservation measures focus mainly on initiatives in the construction and renovation areas, heating and cooling systems and lighting at the Liechtenstein site. At that location, a separate energy report is prepared that also includes a carbon balance sheet. This report is available on the VP Bank homepage.</p> <p>VP Bank suppliers are also urged to come up with environmentally friendly alternatives on their own and required to supply only merchandise and goods that meet Liechtenstein's environmental laws.</p> <p>Volunteering Day is a key CSR initiative. Employees are given the opportunity to perform volunteer work at a social institution, training programme or environmental organisation one day out of the calendar year. In 2016, there were 38 approved volunteering opportunities, of which 47% were at social institutions.</p> <p>In order to offer an alternative to motorised transport and promote environmentally sustainable transport, VP Bank has made E-bikes available to its employees in Liechtenstein since 2016. The bicycles are used primarily to travel back and forth between the Vaduz and Triesen sites but also for other work-related trips.</p>	<p>→ For individual measures and savings see 2015 AR Corporate Strategy / Business Ecology</p> <p>→ Liechtenstein Energy Report. The report provides an overview of energy consumption at the Vaduz and Triesen sites for the 2009-2015 period.</p>

<p><b>Principle 9:</b> encourage the development and diffusion of environmentally friendly technologies</p>	<p>VP Bank has launched an energy project for the buildings in Liechtenstein in order to coordinate the already existing plants, optimise energy distribution and use the existing waste heat efficiently. The energy supply project also includes the introduction of new technologies – a cooling plant with waste heat recovery and a new heating system. The next step will involve using groundwater for heating and cooling.</p> <p>For its head office in Vaduz, VP Bank has developed a mobility concept that has proved to be very successful. The goals – to reduce automobile use, foster environmental awareness and promote public transport – were met. The concept is exemplary for the region and in 2011 won the "Zurich Climate Award," which honours measures to improve energy efficiency and reduce CO<sub>2</sub> emissions. VP Bank has also for years prepared an energy report for the Liechtenstein site.</p>	<p>→ 2015 AR Corporate Strategy / Business Ecology (p. 46)</p> <p>→ see Liechtenstein Energy Report</p>
<p><b>Anti-Corruption Principles</b></p>		
<p><b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery</p>	<p>For tax and regulatory reasons, several countries have issued stricter regulatory guidelines for market participants doing business in their financial centres. As an internationally active bank, VP Bank is therefore subject to a series of country-specific regulations. It takes steps to ensure compliance with these legal regulations.</p> <p>Through its sustainability policy, VP Bank sets minimum standards for products and services. This policy applies to the savings deposit intake, lending and the investment business.</p> <p>VP Bank works actively to combat bribery as the source of corruption, the granting or receiving undue advantages and money-laundering in the banking business. Measures include regular training of client advisors and as well as the monitoring of regulations included in the staff regulations and Code of Conduct.</p> <p>In addition to the values and management principles, the Code of Conduct sets forth VP Bank's commitment to an ethically correct management policy. VP Bank pursues a vision of inspiring through exceptional client experiences and winning new clients through favourable recommendations. This vision requires close client relations and trust. VP Bank promotes both through voluntary commitments to align its business practices with fundamental ethical values and by creating a solid foundation of business principles. The CoC makes VP Bank's ethical principles binding and serves as a guide to proper business conduct.</p> <p>VP Bank's staff guidelines provide additional guidance on proper conduct as regards bank secrecy, confidentiality, data integrity, equality, social media guidelines, conflicts of interest, insider information and data protection. The staff guidelines are a manual and integral part of every employment agreement. They apply to all VP Bank employees.</p> <p>We are not aware of any violations of anti-corruption laws or directives in 2016 and therefore the bank did not have to take any corrective action.</p>	<p>→ Corporate Governance Report 2015</p> <p>→ <a href="http://www.vpbank.com/LegalCompliance&amp;Tax">www.vpbank.com / Legal Compliance &amp; Tax</a></p> <p>→ 2015 AR, Corporate Strategy / Sustainability</p> <p>→ Code of Conduct</p>

		<a href="#">→ VP Bank Staff Guidelines</a>
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## Appendix

VP Bank Group company information and addresses:

VP Bank Ltd is a bank domiciled in Liechtenstein and is subject to the Financial Market Authority (FMA) Liechtenstein, Landstrasse 109, PO Box 279, 9490 Vaduz, Liechtenstein, [www.fma-li.li](http://www.fma-li.li)

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