

January 2020

**United Nations  
Global Compact**  
Annual Communication  
on Progress 2019



## CEO Statement - UNGC Business Commitment

VP Bank confirms its ongoing commitment in support of the principles of the United Nations Global Compact (UNGC).

We drive our business according to the ten UN Principles on human rights, labour, environment and anti-corruption, and we take measures to achieve social objectives. With this document we describe how we fulfil the ten principles.

As an international private banking group, we do not only focus on one area, but on a diversified portfolio of niches that complement each other in an ideal way and offer valuable synergies.

Sustainability as a holistic approach also includes the responsible management of the funds entrusted to us. Moreover, sustainable investment solutions and investment concepts become more and more popular. The basic idea is the consideration of sustainability criteria in the selection of the financial investments in an ecological and social point of view.

We emphasise respect and sense of responsibility. This is reflected in the social interaction of our employees as well as in the cooperation with our clients and partners. At the same time, we are committed to use resources sparingly to preserve our environment.

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



Paul H. Arni  
Chief Executive Officer VP Bank Group

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## 2. Contacts for queries

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## 3. Portrait of VP Bank

### 3.1. VP Bank Group



#### Global presence

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

In the German-speaking countries, VP Bank is the only independent private bank which has a clear 2-column business model with Private Banking and Intermediaries, which is listed on a stock exchange and has an "A-" rating.

We adhere to a sustainable, predictable and successful business model. Our strategic goal is to profitably grow as a group and to maintain our independence.

We are successful in our target markets because we do what we excellently master and what we are happy to do every day.

We provide our shareholders with a safe investment alternative with attractive interest rates that is continuously further developed by us.

#### Convincing numbers and facts

- Solid shareholders' equity base and a tier 1 ratio of just under 19.7%\*
- Balanced shareholder structure - stable, industry-independent anchor shareholders and a free float of 50.62 %\*\*
- Sustained profitability and an attractive payout ratio of currently more than 50% \*\*
- 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

\*Status as at 30 June 2019

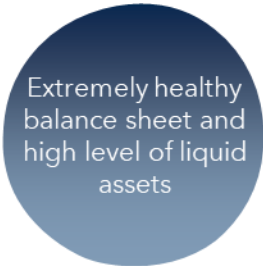
\*\*Status as at 31 December 2018

### 3.2. VP Bank at a glance

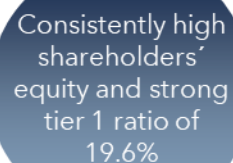
#### Facts & Figures

- Founded in 1956
- Largest independent bank in Liechtenstein
- Client assets: CHF 51.7 billion\*
- Assets under management: CHF 45.6 billion\*
- Total assets: CHF 13.1 billion\*
- Shareholders' equity ratio: 7.5%\*
- Cost/income ratio: 68.6%\*
- Tier 1 ratio: 19.7%\*
- Leverage ratio: 6.9%\*
- 874 employees at the end of 2019 (full-time equivalents)
- Listed on SIX Swiss Exchange
- "A" rating (positive) from Standard & Poor's (as at 27 August 2019)
- Six locations worldwide in key international financial centres
- Focus on asset management for private individuals and intermediaries


\* Status: 30 June 2019



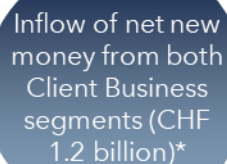
Extremely healthy balance sheet and high level of liquid assets



Consistently high shareholders' equity and strong tier 1 ratio of 19.6%



Excellent S&P "A" rating with stable outlook (A/stable/A-1)



Inflow of net new money from both Client Business segments (CHF 1.2 billion)\*

## 4. Locations and markets of VP Bank



## 5. VP Bank's clients

### 5.1. 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)

### 5.2. Fiduciary business

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

### 5.3. External asset managers


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



## 6. VP Bank's vision

### 6.1. 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.

### 6.2. 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, through the personal commitment of each and every employee.

The ambassadors of this vision are our employees, who benefit from targeted 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.

## 7. VP Bank's strengths

### 7.1. 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.

### 7.2. High degree of security

- VP Bank Group's capital base is much stronger than required by international standards.
- Our anchor 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.

### 7.3. Service professionalism

- For all their financial matters, our clients have a personal contact 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.

## 8. UN Global Compact Communication on Progress (COP)

AR = Annual Report; IR = 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 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. In 2019, three CoC violations were reported. All infringements were sanctioned with a reprimand.</p> <p>VP Bank is committed to diversity on every employee and executive level. Since 2017, the Executive Board has included one female member and since 2018 two women on the Board of Directors. Whenever possible, employees with chronic medical conditions are reintegrated into the workplace with professional support.</p>	<p>→ Code of Conduct</p> <p>→ 2018 AR, Corporate Strategy / Sustainability / "VP Bank's Commitment" (p. 35)</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 its 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. The VP Bank suppliers are committed to supplying only merchandise and goods originating from countries and producers that adhere to the 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 entire supply chain worldwide. The criteria used in the selection of VP Bank suppliers include not just price, performance and product quality according to specifications, and creditworthiness, but also the supplier's 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. In addition to an impartial internal department, there is an external support centre who deals with operational, personal, health and financial issues and provides profes-</p>	<p>→ 2018 AR, Corporate Strategy / VP Bank's Suppliers (p. 50)</p> <p>→ VP Bank Procurement Principles</p> <p>→ www.vpbank.com / Responsibility / Legal, Compliance &amp; Tax</p> <p>→ www.vpbank.com / Responsibility / Corporate Governance; s. Corporate Governance Report 2018</p> <p>→ 2018 AR, Corporate Strategy / VP Bank's Sustainability / "VP Bank's Commitment"</p>

sional support to the employees. If required, VP Bank employees can contact this support office anonymously and free of charge.

## Labour Principles

### Principle 3:

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

VP Bank has 874 employees (full-time equivalent, not including interns, at the end of 2019) at seven locations worldwide.

Freedom of association is guaranteed throughout the Group in accordance with applicable legal regulations. Informal dialogue with employees is also always encouraged. Employment contracts are negotiated mainly on an individual basis instead of through collective bargaining.

At the Vaduz location, the in-house employee association (*Arbeitnehmervertretung -ANV*) 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. The ANV is represented at the Luxembourg location as well.

The organisation of the employee representations of VP Bank Group is listed in chapter 9.2.

→ [www.vpbank.com / Newsroom, Ad hoc Media Release](http://www.vpbank.com/Newsroom,Ad%20hoc%20Media%20Release)  
24.01.20

→ see 2018 AR, Corporate Strategy / Employees of VP Bank (p. 44)

### Principle 4:

The elimination of all forms of forced and compulsory labour

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.

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.

No children are employed anywhere in VP Bank Group. We are not aware of any human rights violations in 2019 in particular forced or child labour and as a result did not have to take any corrective action.

→ Code of Conduct

→ VP Bank Procurement Principles (p. 60)

### Principle 5:

The effective abolition of child labour

No children are employed anywhere in VP Bank Group. We are not aware of any human rights violations in 2019 in particular forced or child labour and as a result did not have to take any corrective action.

### Principle 6:

The elimination of discrimination in respect of employment and occupation

VP Bank has issued clear guidelines on employee relations and support: Employees are required to respect the dignity, character and privacy of each individual. Personal interactions are guided by respect, fairness, support, professionalism and openness.

Any form of discrimination, notably in the employment area and regardless of whether it involves age, disability, origin, gender, marital status, political orientation, sexual orientation, race or religion, is expressly prohibited. Code of Conduct violations are met with uncompromising disciplinary measures and consequences in accordance with labour law.

VP Bank offers all employees equal hiring and promotion

→ VP Bank Staff Regulations

→ 2018 AR Corporate Strategy / Employees of VP Bank

→ 2018 Diversity: AR p. 49

→ Compensation Report / Principles (2018 AR, p. 81)

opportunities. Employee performance appraisals are conducted in a fair, objective and transparent manner.

We are not aware of any violations of the basic principles of equality in 2019 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, sexual orientation, nationality or religion.

### Environmental Principles

#### Principle 7:

Businesses should support a precautionary approach to environmental challenges

VP Bank's role in society, i.e. its corporate citizenship, is characterised by its active responsibility towards 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.

Through its sustainability policy, VP Bank defines minimum standards for products and services. VP Bank strives to keep CO2 emissions from its banking operations as low as possible. For this reason, a modern video conferencing system is used to reduce travel.

→ 2018 AR Corporate Strategy / Sustainability (p. 35)

→ 2018 AR Corporate Strategy / Sustainability and Business Ecology (p. 35, p. 53)

#### Principle 8:

Undertake initiatives to promote greater environmental responsibility

One essential way that a bank can strengthen environmental awareness is through its line of **sustainable and responsible investment products and services**.

In the implementation of its **investment strategy** for sustainable investments, VP Bank is focusing on the application of exclusion criteria (ethical and standard-based) and on a "best in class" and/or "best in sector" selection of investments that takes the ESG-aspects (Environment, Social and Corporate Governance) into account. VP Bank analyses what risks are incurred by companies in a specific sector and how such risks can be managed.

Since April 2017, VP Bank offers a flexible investment solution in the field of sustainability, which can be customised to the client's individual requirements. The investments are selected according to the ESG approach in consideration of ecological, social and business management factors.

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.

VP Bank **suppliers** are also urged to come up with environ-

→ For individual measures and savings see 2018 AR Corporate Strategy / Business Ecology

→ Liechtenstein Energy Report. The report provides an overview of energy consumption at the Vaduz and Triesen sites for the 2009-2017 period.

mentally friendly alternatives on their own and required to supply only merchandise and goods that meet the Liechtenstein environmental laws.

**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 2019, there were 45 approved volunteering opportunities.

In order to offer an alternative to motorised transport and promote environmentally **sustainable transport**, VP Bank has made four 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. Five free bus season tickets are available for the same route. In addition, VP Bank is involved in an inter-company car pooling scheme so that employees can seek car pools and thus relieve traffic congestion.

Under the motto "Drink tap water, donate drinking water", VP Bank in Liechtenstein has been committed since 2017 to the non-profit association "DRINK&DONATE", which promotes the consumption of tap water instead of bottled water that is transported by road. The partnership has now been extended by three years until the end of 2022. VP Bank's annual donations are used to finance drinking water projects that give needy people in developing countries access to clean drinking water.

In 2018, VP Bank launched an extensive reconstruction project at its headquarters in Vaduz/Liechtenstein. In order to adapt to the newly designed room layout, the entire location was completely refurbished. The fact that used furniture can be ecologically and socially recycled is demonstrated by the initiative of VP Bank in cooperation with the Order of Malta that helps people in need through its medical, social and humanitarian work. A large part of the well-preserved and fully functional office furniture such as cupboards, tables and chairs were donated to the Order. The furniture was loaded in Liechtenstein and transported by truck to Slovakia. There they were used to furnish social institutions, schools and hospitals. With the furniture donation a contribution could be made to the garbage reduction and at the same time charitable organisations were supported, which do not have financial means for the acquisition of new furniture.

Due to the geographical situation, the British Virgin Islands (BVI) are faced with a multitude of serious sustainability challenges, in particular the threat to the highly sensitive groundwater and marine ecosystems. With its location on the BVI, VP Bank is a pioneer in the "Green VI" initiative, which

advocates a greener, cleaner and more responsible approach to the environment on the islands. As part of its commitment to "Green VI", VP Bank (BVI) Ltd was recently trained and certified on the subject of recycling at the workplace and in the private sphere. With its commitment to the environment, VP Bank is helping to raise awareness of sustainable future development among the population of BVI.

**Principle 9:**

Encourage the development and diffusion of environmentally friendly technologies

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. For example, 24 years ago, a photovoltaic system was installed on the roof of the building at VP Bank's headquarters in Vaduz, providing environmentally friendly energy for the bank's network. This year, a further system was installed on the roof of the main building and the administration building. Work on this new photovoltaic system is in full swing and will be completed at the beginning of 2020. Further investments in solar energy will increase the expected electricity yield through in-house production to around 200,000 kWh of electricity per year. This corresponds to the consumption of 35 single-family houses with a 4-person household.

→ 2018 AR Corporate Strategy / Business Ecology (p. 53)  
→ see Liechtenstein Energy Report

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 location.

**Anti-Corruption Principles**

**Principle 10:**

Businesses should work against corruption in all its forms, including extortion and bribery

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.

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.

VP Bank works actively to combat bribery as the source of corruption, the granting or receiving of undue advantages and money-laundering in the banking business. Measures include regular training of client advisors and the monitoring of regu-

→ Corporate Governance Report 2018  
→ [www.vpbank.com](http://www.vpbank.com) / Legal Compliance & Tax  
→ 2018 AR, Corporate Strategy / Sustainability  
→ Code of Conduct  
→ VP Bank Staff Regulations

lations included in the Staff Regulations and Code of Conduct.

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.

VP Bank's Staff Regulations provide additional guidance on proper conduct as regards banking secrecy, confidentiality, data integrity, equality, social media guidelines, conflicts of interest, insider information and data protection. The Staff Regulations constitute instructions and are integral part of every employment contract. They apply to all VP employees.

We are not aware of any violations of anti-corruption laws or directives in 2019 and therefore the bank did not have to take any corrective action.

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## 9. Appendix

### 9.1. VP Bank Group company information and addresses:

<b>VP Bank AG</b>	Aeulestrasse 6 · 9490 Vaduz · Liechtenstein T +423 235 66 55 · F +423 235 65 00 info@vpbank.com · www.vpbank.com MwSt.-Nr. 51.263 · Reg.-Nr. FL-0001.007.080-0
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<b>VP Bank (Luxembourg) SA</b>	2, Rue Edward Steichen · L-2540 Luxembourg · Luxembourg T +352 404 770-1 · F +352 481 117 · info.lu@vpbank.com
<b>VP Bank (BVI) Ltd</b>	VP Bank House · 156 Main Street · PO Box 2341 Road Town · Tortola VG1110 · British Virgin Islands T +1 284 494 11 00 · F +1 284 494 11 44 · info.bvi@vpbank.com
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## 9.2. Employee associations with VP Bank Group

Employee associations with VP Bank Group (at 12/2019)					
Location	ANV / Works Council	Legal requirement	Headcount (at 31/12/2019)	FTE headcount (at 31/12/2019)	Comments
Liechtenstein	ANV	Mandatory from 50 employees	VP Bank 571 Fund Solution 32	VP Bank 521.30 Fund Solution 30.4	ANV with 5 members - joint ANV for VP Bank AG and VP Fund Solutions (Liechtenstein) AG
Switzerland	none	Voluntary from 50 employees	102	96	
Luxembourg	Works Council	Mandatory for employers with at least 15 employees	VP Bank 116 Fund Solution 33	VP Bank 107.49 Fund Solution 29.50	Works Council with 10 members (5 permanent and 5 substitutes), joint Works Council for VP Bank (Luxembourg) SA and VP Fund Solutions (Luxembourg) SA
Singapore	none	Voluntary	67	67	
Hong Kong	none	Voluntary	8	8	
BVI	none	Voluntary	14	14	