BSW Sustainable Finance Code of Conduct

Structured Securities and Sustainability

As at: February 2025

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Content

Introduction

Why is there a need for the Code?

The transition to a more sustainable economy with respect to ESG (environment, social, and governance) that is desired by government and society can only succeed if private investors also make their capital available for this purpose.

This requires an appropriate range of suitable financial investments. The legislator has created rules for this in recent years and, among other measures, has stipulated that investors are to be asked about their investment preferences with respect to ESG when being provided with investment advice.

Structured securities can contribute to the desired transition to a more sustainable economy. However, there are currently no specific legal requirements for the design of structured securities with sustainability characteristics. In this context, the members of the BSW have agreed on certain minimum requirements for structured securities with sustainability characteristics with this Code.

What is the scope of the Code?

According to the Code, only those products that fulfil certain sustainability criteria may be designated as structured securities with sustainability characteristics. The Code contains minimum requirements relating to the issuer, the underlying, the product category, and the designation of relevant structured securities, as well as an ESG product and transparency standard (the product policy) to be drawn up by the issuer. The Code also contains requirements on the scope of application and monitoring by the BSW Sustainable Finance Code of Conduct Advisory Board.

The requirements of the Code are based on the statutory regulations for the consideration of sustainability-related objectives and sustainability factors in investment advice (see Annex I). The Code is also based on the ESG Target Market Concept (supplementing the target market with information on sustainability-related objectives and sustainability factors – see Annex II). The ESG Target Market Concept defines common minimum standards for structured securities, investment funds, and bonds. In terms of content, the Code extends further than the standards of the ESG Target Market Concept and defines additional criteria for structured securities with sustainability characteristics.

What is the purpose of the Code?

As a market standard, this Code is intended to support issuers in issuing structured securities with sustainability characteristics and in drawing up the corresponding product policies. In addition to the mandatory legal documentation, the Code can also assist in providing orientation to investors with respect to structured securities with sustainability characteristics.

01 Sustainability impact of structured securities

1.1 How structured securities work

Structured securities are commonly linked to an underlying asset, the performance of which determines the payout to which the investor is entitled. The proceeds from the issuance of a structured security (the issuance proceeds) accrue to the issuer and can be used for various purposes (the use of proceeds). These proceeds are usually available to the issuer for its general economic activities, for example, granting loans to companies and private individuals and/or acquiring securities or other assets in the banking book. Part of the issuance proceeds may also be used by the issuer to finance hedging transactions (usually OTC derivative transactions) in order to ensure fulfilment of the obligations arising from structured securities.

1.2 Determination of sustainability-related characteristics

The use of proceeds can be used to determine the extent to which the structured security with sustainability characteristics can contribute to the achievement of an investor's sustainability-related investment objectives (sustainability preferences, see Annex I). The decisive factor is the proportion of sustainable investments and assets, as described in the Taxonomy Regulation (EU) 2020/852 and the Sustainable Finance Disclosure Regulation (EU) 2019/2088 (SFDR), that are (re)financed (the sustainability ratio) and/or the principal adverse impacts on sustainability factors are taken into account in accordance with the SFDR.

Both the sustainability ratio and the consideration of the principal adverse impacts on sustainability factors of the structured security with sustainability characteristics are generally determined on the basis of the issuer's general economic activities. Some issuers also take into account a proportion relating to hedging transactions on the underlying itself.

Certain structured securities with sustainability characteristics provide for special use of the issuance proceeds for sustainability purposes. This is done by allocating a separate portfolio of assets with special sustainability requirements (e.g., in accordance with the EU Green Bond Standard, the ICMA Green/Social Bond Principles, or the Sustainable Asset Pool concept – see Part 3). In such cases, the sustainability-related characteristics of the structured security are determined solely on the basis of the respective allocated assets.

02 Requirements for the issuer, underlying, product category, transparency, and designation

2.1 Issuer

The issuer is to consider each of the following requirements.

2.1.1 Voluntary ESG commitments

The issuer is to take into account the requirements of at least five relevant voluntary ESG commitments. In any case, the following voluntary ESG commitments are to be taken into account:

- **The UN Global Compact**
  This includes ten principles for the activities of businesses: Protection of international human rights, no complicity in human rights abuses, upholding the freedom of association and the right to collective bargaining, elimination of forced labour, abolition of child labour, elimination of discrimination in respect of employment and occupation, precautionary approach to environmental problems, promotion of greater environmental responsibility, development and diffusion of environmentally friendly technologies, and opposition to corruption in all its forms; and

- **The UN Principles for Responsible Banking (PRB) or the UN Principles for Responsible Investment (PRI)**
  The PRB contains requirements for banks to align their activities with the UN's Sustainable Development Goals and the Paris Climate Agreement of 2015. The PRI contains requirements for investment and asset managers to ensure that their activities take sufficient account of ESG factors.

2.1.2 Consideration of principal adverse impacts

In the case of structured securities with sustainability characteristics for which, in accordance with point (c) of Article 2(7) of Delegated Regulation (EU) 2017/565, the issuer discloses the consideration of principal adverse impacts (PAIs) on sustainability factors specified in the SFDR with regard to climate and other environment-related indicators, or indicators for social and employee, respect to human rights, anti-corruption and anti-bribery matters. At least six PAIs must be taken into account with respect to the use of proceeds: In addition to one PAI from the "greenhouse gas emissions" category, at least one other environmental PAI and one other social PAI need to be considered (see Annex I, 3. for more information).

As an exception, the minimum number of six PAIs does not need to be taken into account if the issuer fulfils the additional requirements of green bond or social bond standards (described in more detail in 3.2), and their special requirements with regard to the use of the issuance proceeds.

2.1.3 ESG rating

Issuers are to have at least one meaningful, positive ESG rating from a recognised ESG ratings agency and are to provide clear information about this in the product policy (see 2.4).

2.2 Underlying

When selecting an underlying (where applicable), the issuer is to pursue an explicit selection strategy, for example, best-in-class or minimum ESG rating from a recognised ESG ratings agency.

In addition, the issuer must observe exclusion criteria when selecting the underlying. These include commodities, which are not permitted as underlyings (see 2.2.1), as well as company-related exclusion criteria (minimum exclusion criteria – see 2.2.2). This applies equally to individual securities such as equities or reference debtors (or the case of several individual securities, such as a basket), as well as to indices as the underlying of a structured security with sustainability characteristics. In the case of an index as the underlying, the issuer must ensure that the index it uses fulfils these requirements methodically at the level of the index components.

The issuer is to provide detailed information on the selection strategy and the exclusion criteria in its product policy. The issuer is free to define further exclusion criteria in the product policy (see 2.4 below).

2.2.1 Inadmissible underlyings

Agricultural products and other commodities of any kind are excluded as underlyings for structured securities with sustainability characteristics.

2.2.2 Minimum exclusion criteria

Companies are excluded from selection as an underlying if they generate turnover from the economic activities described below that exceed the permissible threshold (measured in terms of the company's total turnover). The requirements shown in the table below apply in relation to the respective company's turnover in terms of production and sales (unless otherwise indicated). In addition, the listed serious violations by companies or sovereign issuers result in exclusion as an underlying.

Minimum exclusion criteria	Threshold
Nuclear energy	>= 5%
Conventional oil and gas production	>= 5%
Non-conventional oil and gas production	> 0%
Coal production	> 0%
Coal-fired electricity generation	>= 5%
Armaments including military weapons	>= 5%
Banned and controversial weapons[1]	> 0%
Nuclear weapons	> 0%
Small arms	>= 5%
Tobacco production[2]	> 0%
Serious violations of the UN Global Compact by the company	
Serious violations of the OECD Principles of Corporate Governance by the company	
Sovereign issuers: Serious violations of democratic and human rights[3]	

[1] Weapons according to the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (Ottawa Treaty), the Convention on the Prohibition of Cluster Munitions (Oslo Convention) and B- and C-Weapons pursuant to the respective UN Conventions (UN BWC and UN CWC)..

[2] Turnover from production but not distribution.

[3] Based on classification as "Not Free" according to the Freedom House Index (https://freedomhouse.org/countries/freedom-world/scores) or equivalent ESG ratings (external or internal).

2.3 Product category

In order to avoid speculative investment behaviour against sustainability goals, structured securities of certain product categories may not be designated as structured securities with sustainability characteristics. All leverage products are excluded. In addition, investment products that profit from a downward movement of the underlying may not be recognised as structured securities with sustainability characteristics.

2.4 ESG product and transparency standard (product policy)

The issuer is to provide clear and comprehensive information in a product policy on the requirements for and design of structured securities with sustainability characteristics, as well as on the implementation of the requirements described in this Code. These include voluntary ESG commitments, the ESG rating, selection strategy, and minimum exclusions, as well as any other exclusions (including criteria and data sources), excluded product categories, and information on the methodology for determining sustainability ratios. The product policy must be easy to find on the issuer's website and must be accessible without access restrictions.

2.5 Designation

The designation of the structured security with sustainability characteristics must not contradict or be misleading with respect to the sustainability criteria actually met by the security and in particular the underlying (where present). In order to prevent false incentives for investors in relation to their sustainability preferences, the product name must not inaccurately convey the impression of a higher sustainability ratio or the consideration of a higher number of PAIs than is actually the case.

03 Additional requirements for certain issuances

3.1 Sustainable Asset Pool concept

Under the Sustainable Asset Pool concept, the issuer can also undertake to hold assets that have an environmental and/or sustainability impact and/or take environmental and social impacts (PAIs) into account at least in the amount of the gross issuance proceeds and over the term of the respective structured security. These assets are to be earmarked accordingly and their holdings are to be regularly reviewed (the Sustainable Asset Pool). Annex III of the Code contains the relevant requirements and further information on this.

In this way, the investor's investment is linked to the financing of an economic activity that corresponds to their sustainability preferences (see Annex I).

3.2 Green bond and social bond standards

The issuer may also label a structured security with sustainability characteristics as a green bond or social bond in accordance with a current market standard (e.g., the ICMA Green Bond Principles, the ICMA Social Bond Principles, and the ICMA Sustainability Bond Guidelines) or the EU-regulated standard for green bonds (the EU Green Bond Standard), provided that the requirements of this Code are complied with.

The issuance proceeds are then to be allocated in accordance with the applicable market standard in such a way that specific sustainability criteria are met. In this way, the issuance of the security contributes to the achievement of one or more sustainability-related preferences of the investor (see Annex I).

04 Governance

4.1 Scope of application and compliance with the Code

The term "structured securities" covers all debt securities described in the BSW product classification that are issued by BSW members for distribution to private investors in Germany. Issuers may only label products as "structured securities with sustainability characteristics" if they fulfil the requirements of the Code.

The requirements of this Code apply to the respective issuer of a structured security with sustainability characteristics. If the issuer is a company within a BSW member's group or a special-purpose entity independent of the group, the requirements of this Code may also be fulfilled by the group parent company or a company within the group that acts as the product manufacturer for the issuance. In this case, the product policy must provide information on the relevance of the group companies involved for the issuance and for the fulfilment of the requirements of the Code.

The members of the BSW and their group companies are to take into account the requirements of this Code for structured securities with sustainability characteristics that are publically offered to private investors in Germany. Issuers are free to apply the requirements of the Code to other issuances of (structured) securities, for example, to structured securities distributed to private investors outside Germany or to institutional investors. In both cases, they may indicate that they comply with the requirements of the Code for their structured securities with sustainability characteristics.

4.2 Monitoring by the BSW Sustainable Finance Code of Conduct Advisory Board

If members of the BSW issue structured securities with sustainability characteristics themselves or via a group company or special-purpose entity (see 4.1), they are to send the BSW confirmation of the application of the Code's requirements in the relevant processes and documents as well as the product policy current at that time once a year (by 31 January at the latest). If an issuer identifies a breach of the Code's requirements, it is to inform the BSW immediately after becoming aware of it.

The BSW Sustainable Finance Code of Conduct Advisory Board consists of independent experts. It acts as a supervisory body and annually reviews whether the provided product policies correctly and fully implement the requirements of the Code. In addition, the BSW Sustainable Finance Code of Conduct Advisory Board can carry out or initiate ad hoc reviews at any time, particularly if violations of the Code are identified. The rules of procedure of the BSW Sustainable Finance Code of Conduct Advisory Board regulate the procedure for the reviews in more detail.

If the BSW Sustainable Finance Code of Conduct Advisory Board identifies violations of the Code's requirements, the BSW Board of Directors will decide the necessary steps to be taken. A serious breach of this Code may constitute good cause for expulsion from the BSW.

4.3 Scope and applicability of the Code

Structured securities with sustainability characteristics that are distributed to private investors in Germany are to comply with the requirements of this Code from 1 July 2025 (the effective date) at the latest. Issuers are free to voluntarily apply the Code from the date of its publication.

Issuers may continue to apply the requirements of the previous version of this Code (DDV Sustainable Finance Code of Conduct – Product and Transparency Standard for Structured Products with Sustainability Characteristics (as at: July 2022)) to structured securities with sustainability characteristics that were issued under this version and for which no selling prices are permanently provided from the reporting date at the latest.

4.4 Further development

The Code is to be regularly reviewed in order to adapt it to changing regulatory requirements and market developments. The BSW Sustainable Finance Code of Conduct Advisory Board can support the further development of the Code by proposing amendments.

ANNEX

I Annex – Sustainability preferences

Structured securities with sustainability characteristics within the meaning of this Code are aimed at investors with one or more of the following sustainability preferences within the meaning of points (a) to (c) of Article 2(7) of Delegated Regulation (EU) 2017/565. A distinction is made between three categories of sustainability preferences. Structured securities with sustainability characteristics can also fulfil more than one of these categories.

1. Products with an environmental impact

The first category of structured securities with sustainability characteristics is aimed, in accordance with point (a) of Article 2(7) of Delegated Regulation (EU) 2017/565, at investors who are seeking an impact-related investment within the meaning of the European Taxonomy Regulation (EU) 2020/852. For such investors, it is important that their investment in securities finances, in whole or in part, economic activities that meet the strict requirements of the Taxonomy Regulation.

The Taxonomy Regulation provides a classification system for environmentally sustainable economic activities to help achieve the goals of the 2015 Paris Agreement on Climate Change. The Paris Agreement aims to limit global warming to well below 2° C and to strengthen the adaption of business enterprises to climate change.

2. Product with a sustainability impact

The second category of structured securities with sustainability characteristics is aimed, in accordance with point (b) of Article 2(7) of Delegated Regulation (EU) 2017/565, at investors seeking an impact-related investment within the meaning of Regulation (EU) 2019/2088, the European Sustainable Finance Disclosure Regulation (SFDR).

The SFDR sustainability preference is characterised by its focus on other environmental objectives in addition to climate protection and adaptation to climate change. The category also includes social concerns, such as tackling inequality and discrimination, and respecting human rights.

3. Products that consider principal adverse impacts on sustainability factors

The third category of structured securities with sustainability characteristics is aimed, in accordance with point (c) of Article 2(7) of Delegated Regulation (EU) 2017/565, at investors who want to take account of principal adverse impacts (PAIs).

Delegated Regulation (EU) 2022/1288 on the SFDR sets out the information that is to be provided on the principal adverse impacts on sustainability factors. Annex I, Table 1 of the Delegated Regulation defines a total of 14 indicators for the PAI themes for companies, which the issuer can use to determine the most significant impacts on sustainability factors. The issuer is to describe the PAI indicators it takes into account in the product policy.

As the issuance proceeds generally accrue to the issuer for its own use, the relevant PAI indicators are determined by the issuer's general economic activities. For example, relevant activities may include lending based on a credit strategy in which the corresponding sustainability characteristics are defined or the issuer's own investment in financial products in accordance with corresponding sustainability strategies.

If the issuance takes into account other requirements described in Part 3 of the Code (the Sustainable Asset Pool concept or green and social bond standards), the PAI indicators are to be determined on the basis of the specific use of the issuance proceeds of the structured security and not on the basis of the issuer's general economic activities.

Sustainability indicators for adverse impacts	
Climate and other environment-related indicators	
Greenhouse gas emissions	1. GHG emissions
	2. Carbon footprint
	3. GHG intensity of investee companies
	4. Exposure to companies active in the fossil fuel sector
	5. Share of non-renewable energy consumption and production
	6. Energy consumption intensity per high impact climate sector
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas
Water	8. Emissions to water
Waste	9. Hazardous and radioactive waste ratio
Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters	
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
	12. Unadjusted gender pay gap
	13. Board gender diversity
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

II Annex – ESG target market concept

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Supplement to the target market to include information on sustainability-related objectives[1] and sustainability factors

- The present concept serves to supplement the **Common minimum standard for target market determination for securities** against the the background of the Level 2 amendments to MiFID II.
- It is a **concept for the manufacturer target market,** which manufacturers can use to classify their own products in terms of sustainability (ESG target market).
- It serves to specify the **clients' objectives**.

Status: December 13, 2024

[1] Correspondence with the sustainability preferences within the meaning of Art. 2 No. 7 MiFID II Delegated Regulation.

Basic concept - product-independent definitions[1]

Other products - Not part of the MiFID-ESG-target market			Products which may be addressed to customers with sustainability-related objectives pursuant to Art. 9 No 9 subpara. 1 MiFID II Delegated Directive[2]		
Non-ESG	**Basic**	**ESG strategy product**	**PAIs (Consideration of significant adverse impacts, Art. 2 No. 7 lit. c) MiFID II Regulation)[5]**	**Sustainable investments as defined by the SFDR (ES, Art. 2 No. 7 lit. b MiFID II Regulation)**	**Ecologically sustainable investments within the meaning of the Taxonomy (Art. 2 No. 7 lit. a) MiFID II Regulation)**
No data Declared as non-sustainable Not suitable for customers with sustainability preferences	Consideration and transparency of sustainability risks and chances + Product manufacturer takes into account a recognised industry standard	Product pursues dedicated ESG strategy + Product manufact-urer takes into account recognised industry standard	Dedicated ESG strategy with consideration of standard PAIs on environmental and/or social issues[3] + Minimum exclusions[4] + Product manufacturer takes into account a recognised industry standard	ESG strategy with a proportion of sustainable investments pursuant to SFDR: specific percentages[6] + No serious violations of the UN Global Compact or democracy/human rights[4] + Product manufacturer takes into account a recognised industry standard	ESG strategy with a proportion of sustainable investments pursuant to the Taxonomy Regulation: specific percentages[6] + No serious violations of the UN Global Compact or democracy/human rights[4] + Product manufacturer takes into account a recognised industry standard

[1] For product-specific details, see the following slides.
[2] Multiple answers are possible; if the product can be addressed to customers with sustainability-related objectives, no entry should be made for „other products".
[3] Standard PAIs according to Annex 1 Table 1 RTS to the SFDR.
[4] Differentiation in this regard see slide 3.
[5] For a possible differentiation, see slide 6.
[6] Percentage enables distributors to allocate to standardised or individual clusters (optional implementation, e. g. ambitious, moderate, leader).

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Minimum exclusions[1]

Companies:

- Banned weapons[2] >0%[3]
- Tobacco production >5%
- Coal >30%[3]
- Serious violations of UN Global Compact (without positive perspective):
  - Protection of international human rights
  - No complicity in human rights violations
  - Upholding the freedom of association and the right to collective bargaining
  - Elimination of forced labour
  - Abolition of child labour
  - Elimination of discrimination when hiring and employing
  - Precautionary principle in dealing with environmental problems
  - Promoting greater environmental awareness
  - Development and dissemination of environmentally friendly technologies
  - Advocacy against all forms of corruption

Sovereign Issuers:

- Serious violations of democratic and human rights[4]

[1] Relevant for both individual stocks and stocks in a portfolio/basket (shares/bonds).

[2] Weapons according to the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction („Ottawa Convention"), the Convention on the Prohibition of Cluster Munitions („Oslo Convention") as well as biological and chemical weapons pursuant to the respective UN conventions (UN BWC and UN CWC), see definition in Art. 12(1) Delegated Regulation 2020/1818 and list of controversial weapons in Annex I Table 1 No. 14 RTS to the SFDR.

[3] Turnover from production and/or distribution.

[4] Based on assesment as „not free" according to the Freedom House Index (https://freedomhouse.org/countries/freedom-world/scores) or equivalent ESG ratings (external respectively internal).

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Application for funds

Other products - Not part of the MiFID ESG target market			Products which may be addressed to customers with sustainability-related objectives pursuant to Art. 9 No 9 subpara. 1 MiFID II Delegated Directive[1]		
Non-ESG	**Basic**	**ESG strategy product**	**PAIs (Consideration of significant adverse impacts, lit. c)[2]**	**Sustainable investments as defined by the SFDR (ES, lit. b)**	**Ecologically sustainable investments (Taxonomy, lit. a)**
No data Declared as non-sustainable Not suitable for customers with sustainability preferences	ESG opportunities/risks considered according to the criteria of „ESG integration enhanced"[3]; Integration approach disclosed + Product manufacturer takes into account a recognised industry standard (UN PRI)	Dedicated ESG strategy (according to Article 8 SFDR) + Product manufacturer takes into account a recognised industry standard (UN PRI)	Dedicated ESG strategy with consideration of standard PAIs[4] + Minimum exclusions[5] + Product manufacturer takes into account a recognised industry standard (UN PRI)	ESG strategy with a proportion of sustainable investments pursuant to SFDR: specific percentages[6] + No serious violations of the UN Global Compact or democracy/human rights[7] + Product manufacturer takes into account a recognised industry standard (UN PRI)	ESG strategy with a proportion of sustainable investments pursuant to Taxonomy Regulation: specific percentages[6] + No serious violations of the UN Global Compact or democracy/human rights[7] + Product manufacturer takes into account a recognised industry standard (UN PRI)

[1] Multiple answers are possible; if the product can be addressed to customers with sustainability-related objectives, no entry should be made for „other products".
[2] For a possible differentiation, see slide 6.
[3] „ESG integration enhanced" is defined as the systematic consideration of sustainability opportunities and risks (so-called ESG factors) in the investment process and in the context of the engagement, e. g. by exercising voting rights, actively exercising shareholder and creditor rights and dialogue with issuers. The BVI guidelines for sustainable real estate portfolio management apply to real estate funds. These are based on the Principles for Responsible Investment (UN PRI) and the EFAMA Stewardship Code.
[4] The relevant standard PAIs for the respective asset class pursuant to Annex 1 Table 1 RTS-to the SFDR are decisive.
[5] See slide 3. The minimum exclusions apply to direct investments in shares and bonds. They do not apply to investments in tangible assets such as real estate or real estate companies. However, if a real estate fund also invests in securities (e. g. shares/bonds) in addition to tangible assets, the exclusions must be observed.
[6] Percentage enables distributors to allocate to standardised or individual clusters (optional implementation, e. g. ambitious, moderate, leader).
[7] See slide 3. The exclusion „no serious violations of UN Global Compact or democracy / human rights" apply to direct investments in shares and bonds. It does not apply to real estate funds only if they invest in securities (e. g. shares/bonds).

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Application for certificates and bonds

Other products - Not part of the MiFID ESG target market			Products which may be addressed to customers with sustainability-related objectives pursuant to Art. 9 No 9 subpara. 1 MiFID II Delegated Directive[1]		
Non-ESG	**Basic**	**ESG strategy product**	**PAIs (Consideration of significant adverse impacts, lit. c)[2]**	**Sustainable investments as defined by the SFDR (ES, lit. b)**	**Ecologically sustainable investments (Taxonomy, lit. a)**
No data Declared as non-sustainable Not suitable for customers with sustainability preferences	Company[3] takes into account the UN Global Compact + has a sustainability rating + Company[3] takes into account ESG product and transparency standard[4]	Underlying(s): dedicated ESG strategy, + Company[3] takes into account the UN Global Compact and Company[3] achieves the status of a sustainable company with at least one rating agency + Company[3] takes into account ESG product and transparency standard[4]	Company[3] takes into account standard PAIs[5] and the UN Global Compact; Company[3] achieves the status of a sustainable company with at least one rating agency + Underlying(s)[6]: dedicated ESG strategy with selective consideration of standard PAIs[7] through the minimum exclusions + Company takes into account a recognised industry standard[4]	Impact-related investments as defined by the SFDR: specific percentages[9] + Company[3] takes into account the UN Global Compact and Company[3] achieves the status of a sustainable company with at least one rating agency[8] + Underlying(s)[6]: dedicated ESG strategy; no serious violations of the UN Global Compact or democracy/human rights + Company takes into account a recognised industry standard[4]	Impact-related investments as defined by the Taxonomy Regulation: specific percentages[9] + Company[3] takes into account the UN Global Compact and Company[3] achieves the status of a sustainable company with at least one rating agency[8] + Underlying(s)[6]: dedicated ESG strategy; no serious violations of the UN Global Compact or democracy/human rights + Company takes into account a recognised industry standard[4]

[1] Multiple answers are possible; if the product can be addressed to customers with sustainability-related objectives, no entry should be made for „other products".
[2] For a possible differentiation, see slide 6.
[3] Company=product manufacturer/entity/corporation/etc.
[4] z. e. g. ICMA Principles, EU Green Bonds Standard, BSW Sustainable Finance Code of Conduct or comparable product policy of the issuer.
[5] Standard PAIs on environmental and/or social issues following Annex 1 Table 1 RTS to SFDR. The most significant adverse impacts on sustainability factors are considered. The company takes measures to reduce adverse impacts of its economic activities in the areas of climate, environment and / or social issues. These measures relate in particular to the company's loans and other assets. The company reports on these measures in its sustainability report. In the case of a segregated bond (e. g. green bond), the requirement only relates to the portfolio allocated to it. For a possible differentiation, see slide 7.
[6] These requirements relate to the underlying(s) of a bond or certificate. They are not applicable to bonds or certificates that do not have an underlying or that reference only one or more interest rate indices or interest rates. For minimum exclusions including serious violations of UN Global Compact, see slide 3.
[7] Standard PAIs following Annex 1 Table 1 1 RTS to the SFDR on environmental and/or social issues.
[8] The rating requirement does not apply to segregated bonds (e. g. green bonds).
[9] Percentage enables distributors to be assigned to standardised or individual clusters (optional implementation, e. g. ambitious, moderate, leader). The decisive factor here is the actual value of the bond component (for lit a) based on the GAR (green asset ratio), supplemented by the ratios of the structured/derivative component where applicable. The latter is derived from the ratios of the respective underlyings. The total consideration corresponds to 100%. Alternatively, reference to a segregated bond (e. g. green bond) is also possible.

Additional sustainability factors for products which consider PAIs[1]

PAI topics considered by the product

Alternative 1	**All standard PAIs are taken into account[2]**	
Alternative 2[3]	**Greenhouse gas emissions[4]**	**Water[4]**
	Biodiversity[4]	**Waste[4]**
	Social issues / employee concerns[4]	

[1] For details on standard PAIs see annex 1 table 1 RTS to SFDR (mandatory delivery); on optional PAIs see in annex 1 tables 2 and 3 RTS to SFDR (optional delivery).
[2] For real estate funds and government bonds, there are only two standard PAIs.
[3] No relevance for real estate funds.
[4] Multiple answers or alternative naming of individual indicators possible.

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Additional sustainability factors (optional)

Further additional information to the characteristics positive contribution Art. 2 No. 7 lit. a) & lit. b)	**For funds: minimum proportion of environmentally sustainable investments (according to prospectus)[2]**	**For funds: minimum proportion of other sustainable investments (according to prospectus)**
	Disclosure of environmental objectives according to Article 5 of the Taxonomy Regulation[1]	**Following legal definition: Disclosure of social objectives[3]**

[1] Six characteristics - multiple assignments possible.
[2] This is based on annex II RTS to SFDR.
[3] After the final definition in the social taxonomy.

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Bundesverband deutscher Banken e. V.
Bundesverband Öffentlicher Banken Deutschlands e. V.
Deutscher Sparkassen- und Giroverband e. V.
Verband deutscher Pfandbriefbanken e. V.

Die Deutsche Kreditwirtschaft

BSW BUNDESVERBAND FÜR STRUKTURIERTE WERTPAPIERE

BVI

Additional sustainability factors (optional)

Focus (optional specification)[1]	Environmental (E)	Social (S)	Good Governance (G)
Label / Standard (optional specification; multiple answers possible)	Sustainability label or standard		

[1] The focus of the product is decisive for the allocation to E, S or G: Multiple answers are not possible. For sustainable products without a focus, the field remains empty.

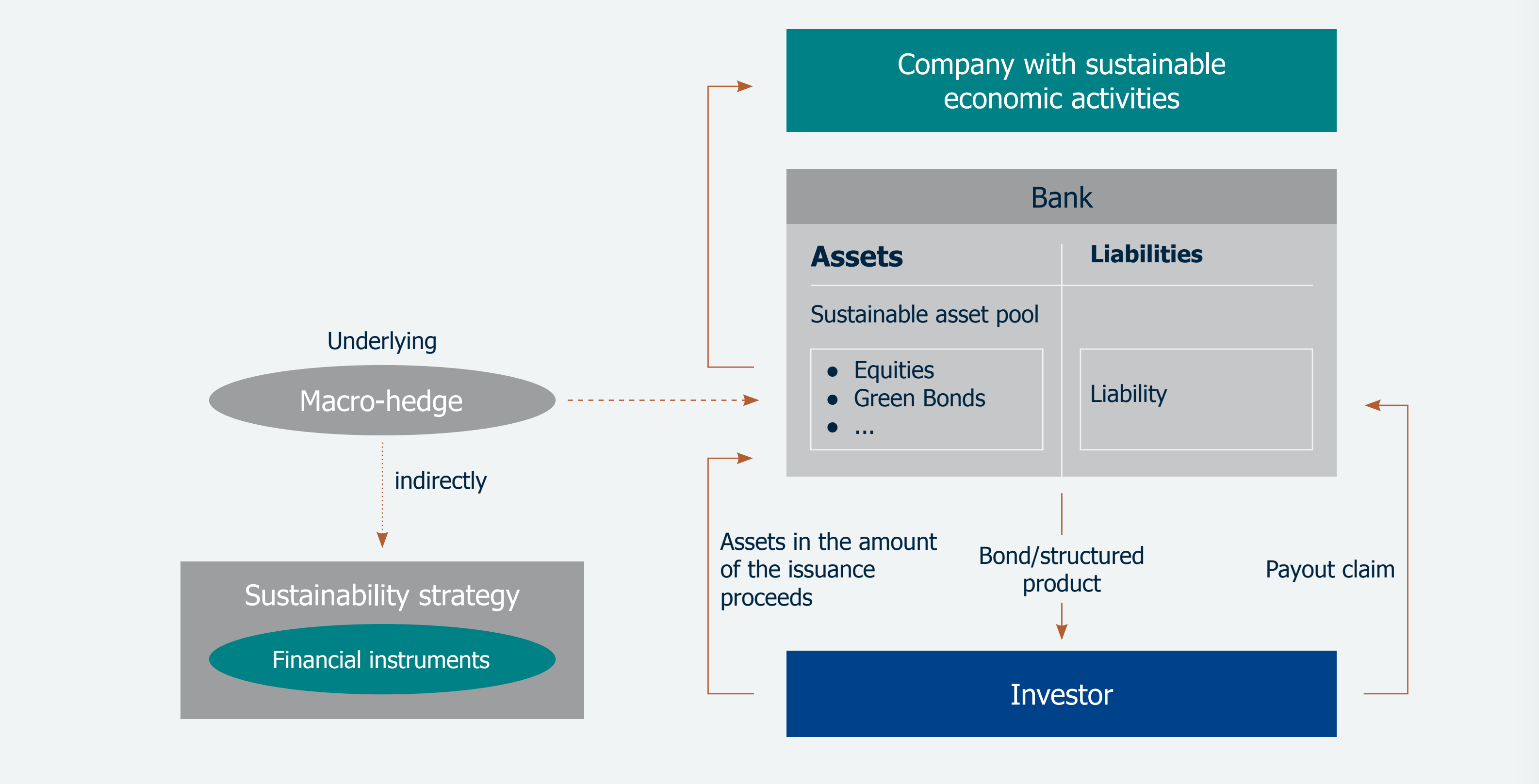
III Annex – Sustainable asset pool concept

1. Overview

Structured securities with sustainability characteristics that are linked to a Sustainable Asset Pool are debt securities for which the issuer holds assets on the asset side of its balance sheet in at least the amount of the gross issuance proceeds and over the term of the respective security that:

- include environmentally sustainable investments within the meaning of the Taxonomy Regulation (see point (a) of Article 2(7) of Delegated Regulation (EU) 2017/565); and/or
- include sustainable investments within the meaning of the SFDR (see point (b) of Article 2(7) of Delegated Regulation (EU) 2017/565); and/or
- take into account principal adverse impacts on sustainability factors (see point (c) of Article 2(7) of Delegated Regulation (EU) 2017/565).

This functional relationship corresponds in principle to that of green bonds (e.g., in accordance with the ICMA Green Bond Principles).



The general requirements of the Code also apply to structured securities with sustainability characteristics that are linked to a Sustainable Asset Pool.

The Sustainable Asset Pool concept is firstly geared towards the sale of structured securities in the primary market (without further sales after the end of the subscription period).

2. Advantages of the approach

The use of a Sustainable Asset Pool for the issuance of structured securities with sustainability characteristics offers the following advantages to investors with individual sustainability preferences (see Annex I):

The risk and return profile remains unchanged relative to conventional product structures. The investor does not bear the market price and credit risks from the assets held in the Sustainable Asset Pool.

By investing in a structured security with sustainability characteristics that is linked to a Sustainable Asset Pool, the investor creates an incentive for the issuer to invest in sustainable assets that can then be included in the Sustainable Asset Pool. The product terms and conditions ensure that the issuer has sufficient suitable assets in the Sustainable Asset Pool in at least the amount of the gross issuance proceeds and that corresponding assets are available over the term of the product (whereby the composition of the respective Sustainable Asset Pool may vary over the term). In line with the objective of European sustainable finance regulation, this is intended to indirectly improve the financing conditions of the investee companies.

Sustainable Asset Pools with different sustainability ratios can also address different investor preference levels. For example, issuers are able to offer categories of structured securities with different taxonomy ratios (point (a) of Article 2(7) of Delegated Regulation (EU) 2017/565) or SFDR ratios (point (b) of Article 2(7) of Delegated Regulation (EU) 2017/565) via a corresponding composition of the Sustainable Asset Pool.

3. Suitable assets for the Sustainable Asset Pool

In addition to loans in the banking book, securities held (equities, bonds, and funds) can be considered as assets that can be included in the Sustainable Asset Pool.

For each asset held in the Sustainable Asset Pool, the issuer calculates an SFDR ratio based on the economic activities of the issuer and, as soon as the required data is available, a taxonomy ratio as well.

For the determination of the SFDR ratio, the issuer may use internal and/or publicly available data on the respective investee company as well as data and/or SFDR ratios of external data providers. Initially, individual SFDR ratios are determined for each investee company.

Individual taxonomy ratios are also initially formed for the taxonomy ratio, using either the KPIs reported by the investee companies in accordance with Article 8 of the Taxonomy Regulation or – to the extent permitted by supervisory law – the data provided by external data providers. These may relate to the investee company or specific assets. For the determination of the SFDR ratio, the issuer may use internal and/or publicly available data on the respective investee company as well as data and/or SFDR ratios of external data providers relating to the respective investee company.

The individual SFDR or taxonomy ratios are then used to determine an SFDR or taxonomy ratio for the entire Sustainable Asset Pool on the basis of the available data.

The relevant PAIs are also determined according to the investee companies or assets represented in the Sustainable Asset Pool.

If the assets included in the Sustainable Asset Pool provide for a specific use of proceeds (such as is the case with green or social bonds), the SFDR and Taxonomy ratios as well as the consideration of PAIs can also be based exclusively on the sustainable economic activity underlying the specific use of proceeds. If the Sustainable Asset Pool consists solely of loans and the lending is based on the bank's general lending policy, the PAIs taken into account here can also be considered for the Sustainable Asset Pool.

4. Allocation mechanism of the issuance to the Sustainable Asset Pool (refinancing)

Each respective structured security with sustainability characteristics is to be allocated to a specific Sustainable Asset Pool. The issuer is to provide information about this allocation in the corresponding product information.

The issuer is to ensure that the nominal volume of the Sustainable Asset Pool is at least as high as the sum of the gross issuance proceeds of the structured securities with sustainable characteristics allocated to the respective Sustainable Asset Pool from the value date of the issuance until maturity. The gross issuance proceeds are determined by the issuance price of the structured security multiplied by the number of units subscribed at the end of the subscription period. A further sale after the end of the subscription period does not take place for structured securities with a Sustainable Asset Pool. However, the issuer may provide in the product terms and conditions that redemptions of securities already placed after the issuance are to be deducted from the gross issuance proceeds.

Sustainable Asset Pools are formed by earmarking the corresponding assets in a relevant system. By earmarking the assets allocated to the Sustainable Asset Pool, they can be identified as such at any time. This ensures that there is no inadmissible dual use of the same asset for a Sustainable Asset Pool and a green bond of the issuer or for several Sustainable Asset Pools.

A further link between the allocation of the gross issuance proceeds and the financing of the assets in the Sustainable Asset Pool is not envisaged. The gross issuance proceeds will therefore not be used specifically for the acquisition of assets for the Sustainable Asset Pool by way of account segregation. This is also not envisaged according to the strict rules of the EU Green Bond Standard.

5. Underlying

If the product has an underlying asset that is relevant for the payout profile, this underlying asset is, in principle, not also included in the Sustainable Asset Pool. However, the selection of the underlying asset must indicate a sustainability strategy and so take into account the requirements of the Code (see Part 2).

6. Auditing

When issuing such securities, issuers also have to carry out a regular internal audit of the Sustainable Asset Pool or have it conducted by external parties. The purpose of the audit is to confirm that the Sustainable Asset Pool complies with the sustainability characteristics (taxonomy and SFDR ratios or PAIs considered) disclosed in the respective product information and that the nominal volume of the Sustainable Asset Pool was at least as high during the audit period as the sum of the gross issuance proceeds of the structured securities allocated to the Sustainable Asset Pool.

The audit can be carried out either internally by a suitable controlling body or externally by a suitable third party (e.g., a statutory auditor). The audit is to be conducted at least once a year. The result of the audit is to be published in an appropriate manner (if necessary, together with the Sustainable Asset Pool reporting – see below in 7.).

7. Reporting

Issuers have to provide reports on the Sustainable Asset Pool on their website on an annual basis as long as they have outstanding structured securities with a Sustainable Asset Pool. This reporting is to provide anonymised information on the assets allocated to the Sustainable Asset Pool. In addition, reports are to contain aggregated and anonymised information on the development of the Sustainable Asset Pool.

8. SAP framework

Particulars on the design of the Sustainable Asset Pool approach at the respective issuer are to be presented and published in an accompanying statement (framework). This is to include, in particular, the following points:

- the selection of suitable assets for the Sustainable Asset Pool according to content-related criteria and the organisational responsibility for decisions in this regard;
- the allocation mechanism of the issuance to the Sustainable Asset Pool and its monitoring; and
- the auditing.

The BSW is to provide BSW members with a template of such a framework for structured securities with a Sustainable Asset Pool (the SAP Framework) as a formulation aid. The BSW is also to provide BSW members with a template of a "Sustainable Asset Pool Implementation Guide".

The Bundesverband für strukturierte Wertpapiere (BSW), the German Structured Securities Association, is the industry representative body for the leading issuers of structured securities in Germany: Barclays, BNP Paribas, Citi, DekaBank, Deutsche Bank, DZ BANK, Goldman Sachs, HSBC, J.P. Morgan, LBBW, Morgan Stanley, Société Générale, UBS, UniCredit and Vontobel. Furthermore, the association's work is supported by over 20 sponsoring members, which include the Stuttgart, Frankfurt, and gettex exchanges, as well as Baader Bank and ICF BANK. The direct banks comdirect, Consorsbank, DKB, flatexDEGIRO, ING-DiBa, maxblue, S Broker and Trade Republic as well as the financial portals finanzen.net and onvista and other service providers are also members.

Contact us

BSW-Bundesverband für strukturierte Wertpapiere e. V.

Frankfurt Office
Feldbergstraße 38
60323 Frankfurt am Main
Germany

+49 69 244 3303 60

Berlin Office
Pariser Platz 3
10117 Berlin
Germany

+49 30 400 0475 40

info@derbsw.de

BSW BUNDESVERBAND FÜR STRUKTURIERTE WERTPAPIERE