Frequently Asked Questions (FAQ) to SSPA Sustainability Transparency Guidelines

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I. Introduction

1 The Swiss Structured Products Association SSPA (**SSPA**) has issued the SSPA Sustainability Transparency Guidelines (the **Guidelines**). This document provides answers to questions in relation to the Guidelines.

2 Defined terms used in this document shall have the same meaning as in the SSPA Sustainability Transparency Guidelines.

II. Questions and Answers

I. Purpose, scope and nature of the Guidelines

1. What is the purpose of the SSPA Sustainability Transparency Guidelines?

3 The requirements introduced by the Guidelines shall protect investors from being misled by an unsubstantiated claim that a structured product is sustainable.

4 With the issuance of the Guidelines, the SSPA sets a minimum standard for structured products that are classified as sustainable, so that structured products can be better assessed for their sustainability and integrated when providing investment advice or portfolio management services in respect of client's ESG-preferences (see articles 2 and 5 of the Guidelines).

2. What is the legal nature of the SSPA Sustainability Transparency Guidelines?

5 The Guidelines are self-regulations issued by the SSPA on a voluntary basis (see article 2 of the Guidelines).

6 The Guidelines may be amended from time to time in order to adapt the Guidelines to current legal and regulatory developments and market conditions in the area of sustainable financial investments (see article 4 of the Guidelines).

7 While the Guidelines do not create any civil or regulatory obligations on the members of the SSPA, the members of the SSPA commit to comply with the Guidelines (see articles 6 and 7 of the Guidelines). Continuous non-compliance with the Guidelines may result in the exclusion of the respective member from the SSPA by the Board of the SSPA.

3. When do the SSPA Sustainability Transparency Guidelines apply?

8 The Guidelines apply to structured products offered in Switzerland, irrespective whether the

structured products are publicly offered or privately placed and irrespective of the type of investor (retail, professional and institutional clients) (see article 6 of the Guidelines).

4. Why do the SSPA Sustainability Transparency Guidelines not define any specific ESG factors or methodology and metrics for assessing and determining the sustainability of a structured product?

9 There is currently no common and generally accepted definition of ESG factors and no common and generally accepted methodology and metrics for assessing and determining the sustainability of financial investments in Switzerland. Furthermore, the legal and regulatory framework in the area of sustainable financial investments is currently evolving significantly. Under these circumstances the SSPA does currently not have a basis and is therefore not in a position to define ESG factors or provide a methodology and metrics for assessing and determining the sustainability of a structured product.

10 The SSPA wants to avoid a situation where the association issues ESG factors or a methodology and metrics that may quickly prove to be outdated. However, the SSPA is closely monitoring the developments and will adapt the Guidelines and consider introducing ESG factors and / or a methodology and metrics for assessing and determining the sustainability of structured products when there is sufficient basis for a respective self-regulation.

5. Do the SSPA Sustainability Transparency Guidelines only apply to Issuers?

11 No, the Guidelines cover not only the point of production but also the point of sale. In particular, the Guidelines require that Distributors that use structured products as part of their investment advisory or portfolio management services consider the "Guidelines for the financial service providers on the integration of ESG-preferences and ESG-risks into investment advice and portfolio management" issued by the Swiss Bankers Association (SBA) (see article 17 of the Guidelines). Furthermore, articles 8 through 10 and articles 18 through 21 of the Guidelines apply when Distributors classify a structured product as a Sustainable Structured Product (see article 18 of the Guidelines).

II. Product classification

6. How is a structured product classified as sustainable?

12 A structured product is classified as sustainable when the structured product's offering or marketing documentation refers to (i) a sustainable investment approach or (ii), subject to the following paragraph, terms such as "ESG", "sustainable", "ecological", "green", "social", "ethical","good corporate governance", "impact" or any other terms referring to "ESG" or "sustainability" (see article 9 of the Guidelines).

7. What if the name of the underlying of a structured product uses a term referring to "ESG" or "sustainability"? Is the structured product then automatically classified as a sustainable structured product?

13 No, not necessarily. If the use of such term in the name of an underlying is not within the direct or indirect control of the Issuer of the structured product, such use shall not by itself result in the structured product being classified as sustainable (see article 9(2) of the Guidelines).

14 Further, if the Issuer uses (i) any ESG terms that are included in the name of the third party underlying and / or (ii) any ESG terms that are included in information provided to it by a third party to describe a third party underlying, in its marketing materials, this shall not by itself result in the structured product being classified as sustainable, as long as such information is designated as sourced from that third party, and provided a disclaimer is included in the Issuer marketing materials making it clear that the structured product is not being classified as a sustainable structured product by the Issuer.

8. Can any structured product be classified as a sustainable structured product?

15 No, in order to protect investors from being misled, structured products may only be classified as sustainable when such classification is supported in a material way by evidence of sustainability characteristics, themes or objectives in accordance with and pursuant to the applied Sustainability Framework (see article 8 of the Guidelines).

9. Who is responsible for applying a Sustainability Framework?

16 It is the responsibility of the respective Issuer (issuer / producer) of the structured product to apply a Sustainability Framework when manufacturing and issuing structured products classified as sustainable (*point of products*), and it is the responsibility of the respective financial service provider to have and apply a sustainability framework when investing in or recommending structured products classified as sustainable in relation to its investment advisory and portfolio management services (*point of sale*) (see article 3(2) of the Guidelines).

10. Is it permissible to refer to the sustainability of a structured product only in advertising but not in the prospectus, key information document and similar documents for such structured product?

17 Yes, as long as the information in the advertising does not contradict the information in the prospectus, key information document or similar document (see article 10 of the Guidelines).

III. Minimum requirements for the Issuer and the transparency

11. Is it sufficient if the commitment to adhere to the UN Principles for Responsible Banking and / or the UN Principles for Responsible Investments and / or equivalent principles is given at group level if the Issuer is a group company?

18 Yes, the commitment may be given at group level for the group and no additional commitment by the Issuer is necessary (see article 11(2) of the Guidelines).

12. Is it necessary to sign the Principles for Responsible Banking and become a UNEP Finance Initiative Member in order the meet the requirement to commit to adhere to the UN Principles for Responsible Banking (see article 11(2) of the Guidelines)?

19 No, the Issuer may just commit to adhere to the UN Principles for Responsible Banking for example in a statement published on its website and / or in the product documentation.

13. Is it sufficient if the Sustainability Framework is issued at group level if the Issuer is a

group company?

20 Yes, the Sustainability Framework may be issued at group level if the Issuer is a group company (see article 12(2) of the Guidelines).

14. Is it permissible if the Issuer applies the Sustainability Framework of the distributor instead of its own Sustainability Framework?

21 The Issuer may apply the Sustainability Framework of a third party such as the distributor, provided that this is disclosed in the product documentation of the relevant product (see article 12(3) of the Guidelines).

15. How can an investor get access to the Sustainability Framework that is being applied to a specific Sustainable Structured Product?

22 The Sustainability Framework must be made publicly available on the website of the Issuer, or, if the Issuer is a group company, the website of the group or the website of the distributor or may be made available by the Issuer or distributor in electronic form or the Issuer will make available information with respect to the Issuer Sustainability Framework as it applies to the relevant Sustainable Structured Product upon request (see article 14 of the Guidelines).

IV. Minimum requirements for the Products

16. Why do the SSPA Sustainability Transparency Guidelines not allow ESG criteria to be applied to structured products with a net short exposure at inception?

23 Structured products that benefit from falling prices of the underlying assets are excluded from being labelled sustainable in order to avoid investment behavior to the detriment of sustainable objectives.

17. Why do the SSPA Sustainability Transparency Guidelines not allow ESG criteria to be applied to the "short exposure" / "short" position of a structured product?

24 Certain structured products might have a combination of a long and a short exposure to a number of underlying assets. These products are not per se excluded, however when classifying such a product as sustainable, only the long component of the underlying assets should be considered to avoid investment behavior to the detriment of sustainable objectives.

V. Minimum requirements when providing Financial Services

18. Do the SSPA Sustainability Transparency Guidelines require that members of the SSPA consider the "Guidelines for the financial service providers on the integration of ESG-preferences and ESG-risks into investment advice and portfolio management" issued by the Swiss Bankers Association (SBA) even if they are not a member of the SBA?

25 Yes, all members of the SSPA shall consider the SBA's "Guidelines for the financial service providers on the integration of ESG-preferences and ESG-risks into investment advice and portfolio management" when using structured products as part of their investment advisory or portfolio

management services irrespective whether they are a member of the SBA (see article 17 of the Guidelines).

19. Can a Distributor classify a structured product as sustainable even if the Issuer did not do so?

26 Yes, Distributors may independently of the Issuer classify a structured product as a Sustainable Structured Product. In this case the articles 8 through 10 and articles 18 through 21 of the Guidelines apply (see article 18 of the Guidelines).

VI. Entry into force

20. When do the SSPA Sustainability Transparency Guidelines enter into force?

27 The Guidelines entered into force on June 1, 2023. However, there is a transitional period of 12 months (see article 22 and 23 of the Guidelines). Accordingly, members of the SSPA must comply with the Guidelines as from June 1, 2024.

VII. Transitional period and grandfathering

21. What is the reason for the 12 months transitional period?

28 The transitional period allows the members of the SSPA to implement a Sustainability Framework and to adjust their offering and marketing documents for Sustainable Structured Products to the extent necessary in order to be able to comply with the Guidelines by June 1, 2024 at the latest.

29 Of course, the members of the SSPA may voluntarily comply with the Guidelines already prior to the end of the transitional period on May 31, 2024.

22. Do the SSPA Sustainability Transparency Guidelines also apply to structured products issued prior to the end of the 12-month transitional period on May 31, 2024?

30 No, structured products that were issued prior to June 1, 2024 (i.e., prior to the end of transitional period of the Guidelines) are exempt from these Guidelines even if they would qualify as Sustainable Structured Products pursuant to the Guidelines (see article 24 of the Guidelines).

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