Frequently Asked Questions (FAQ) to SSPA Sustainability Transparency Guidelines

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A. 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 Guidelines.

B. Questions and Answers

I. Nature, Purpose and Scope of the Guidelines

1. What does “producer” mentioned in article 3 of the Guidelines mean?

3 Producer within the Guidelines means the entity manufacturing (i.e. developing and/or modifying) a structured product. In some cases, the producer may be the same entity as the issuer.

2. Do the Guidelines also apply to non-members of the SSPA?

4 No, however, non-members of the SSPA are encouraged to adhere to the Guidelines on a voluntary basis.

3. Do the Guidelines also apply to distributors of Sustainable Structured Products?

5 No, the Guidelines cover only the point of production but not the point of sale. In particular, the Guidelines are linked to the activity of issuing and/or manufacturing a Structured Product presented as sustainable, whichever entity performs it and however that entity is designated.

6 Distributors investing in or recommending Sustainable Structured Products may, in developing their own sustainability framework, consider the principles set out in the Guidelines, as well as any relevant contractual arrangements with the respective Issuers.

4. Can a distributor reach a different view from the Issuer on whether a structured product could be regarded as sustainable?

7 Yes, a distributor applying its own sustainability framework may reach a different view from the Issuer on whether a particular structured product could be regarded as sustainable or not.

8 However, contractual arrangements (if any) between the Issuer and the distributor may limit

the possibility for a distributor to present a product as sustainable where the relevant Issuer has not done so, or has not expressed a view on the product's sustainability. Such contractual arrangements may also refer to any relevant principles set out by the Issuer in its own Issuer Sustainability Framework.

5. To what kind of offering do the Guidelines apply?

9 The Guidelines apply to any issuance of structured products offered in Switzerland, irrespective of the type of offering or investor (retail, professional and institutional clients).

II. Sustainable Structured Products

6. What does "presented as sustainable" mean in article 5 of the Guidelines?

10 "Presented as sustainable" means that – save as specified in article 11 of the Guidelines – the relevant structured product is described, labelled, named, classified, promoted, marketed, distributed, offered, recommended, or otherwise communicated in a manner that states, suggests or implies that the product has sustainability-related characteristics, objectives, features, or similar qualities.

7. What if the name of the underlying of a structured product uses a term referring to "ESG" or "sustainability" or the like? Is the structured product then automatically a Sustainable Structured Product?

11 No, not necessarily. The mere use of an underlying whose name refers to ESG/sustainability-related terminology may not be considered sufficient to assume that the relevant structured product pursues an Alignment or Contribution Objective.

12 Nonetheless, it remains in the responsibility of the Issuer to avoid any misleading practices when offering structured products that may be considered as having sustainability features. In this sense, the Issuer may include in the relevant product documentation a disclaimer in line with article 11 of the Guidelines and shall take care not to advertise the relevant structured products as sustainable.

8. What are examples of structured products which gain in value if the price of the underlying decreases (see article 5 of the Guidelines)?

13 With reference to the SSPA Swiss Derivative Map the following are examples (not exhaustive list) of structured products that gain in value if the price of the underlying decreases and therefore may not be presented as sustainable:

- Capital Protection Note with Twin Win (1135);
- Twin Win Certificate (1340).

9. Are UN Sustainable Development Goals (SDGs) suitable as Alignment or Contribution Objectives?

14 Yes, in defining the Alignment or Contribution Objectives of a Sustainable Structured Product

reference may be made to one or more UN Sustainable Development Goals (SDGs).

10. Is the list in article 8 of the Guidelines an exhaustive list of insufficient approaches?

15 Yes. The list in article 8 of the Guidelines is an exhaustive list.

11. Why were no fixed exclusion criteria prescribed in the guidelines?

16 The decision not to prescribe fixed exclusion criteria in the Guidelines reflects the principle-based nature of the Guidelines. Accordingly, Issuers are expected to define more detailed parameters in their respective Issuer Sustainability Frameworks (as per article 14 of the Guidelines). This approach also recognises that sensitivities around certain sectors, activities, or topics may evolve over time and may differ from Issuer to Issuer.

12. How is the 70% minimum threshold assessed?

17 The 70% threshold is assessed by reference to the weighting of the relevant underlyings of the Sustainable Structured Product, excluding cash. This means that, at the relevant time, underlyings representing at least 70% of the product’s weighted exposure must meet the sustainability criteria set out in the applicable Issuer Sustainability Framework.

18 For example:

- for products referencing a basket of underlyings with predefined weights, the threshold is met if underlyings accounting for at least 70% of the basket weight, excluding any cash component, satisfy the relevant sustainability criteria;

- for products referencing a basket of underlyings without predefined weights, the Issuer shall define in its Sustainability Framework the calculation methodology for the 70% threshold.

13. Which kind of structured products does article 9 of the Guidelines refer to, when it says that cash is excluded from the calculation of the 70% minimum threshold?

19 The rule refers to any type of structured products which embed cash components. This is typically the case for AMCs, which deploy cash as part of their liquidity and investment strategy.

14. What are neutral underlyings referred to in article 9 of the Guidelines and what are examples of a Sustainable Structured Product using them?

20 Neutral underlyings are indicators that cannot be assigned a sustainability valuation, such as inflation rates, interest rates and exchange rates (not exhaustive list).

21 A Sustainable Structured Product pursuing a Contribution Objective by investing its proceeds in green bonds or dedicating its net proceeds to refinance green loans may, for example,

reference an interest rate as underlying.

22 For the avoidance of doubt, asset classes like bonds, equities and bond- and/or equity-indices (such as S&P 500 Index and Euro Stoxx 50 Index) would not be considered neutral (not exhaustive list).

15. Do the exclusion criteria defined in the Issuer Sustainability Framework of the Guidelines also apply to non-neutral underlyings of Sustainable Structured Product pursuing a Contribution Objective?

23 Yes.

16. Who is the AMC Advisor mentioned in article 10 of the Guidelines?

4 The AMC Advisor is the subject managing an investment strategy of an AMC. For further information see the SSPA Recommendations regarding Actively Managed Certificates.

17. What does "as soon as reasonably possible" mean in article 10 of the Guidelines?

24 "As soon as reasonably possible" means that the changes shall be implemented without undue delay, taking into account what is feasible under the terms and conditions of the AMC, the contractual arrangements between the Issuer and the AMC Advisor, and any requirements arising under the Issuer Sustainability Framework.

18. How shall investors be informed about the breaches of the compliance with the sustainability criteria defined in the applicable sustainability framework (see article 10 para. 3 of the Guidelines)?

25 The Guidelines do not provide for specific guidance on how investors shall be informed. The Issuer shall define its own process to inform investors about such breaches of compliance in the Issuer Sustainability Framework and/or in the relevant product documentation. Investors may, for example, be informed by publication of notices on the Issuer's website, through the clearing system, by email, etc.

19. What are examples of sustainability features mentioned in article 11 of the Guidelines?

26 Examples of structured products that may appear to have sustainability features, but for which the Issuer does not wish to pursue an Alignment or Contribution Objective are structured products:

- which merely use as underlyings companies active in green technologies or with good corporate governance but without pursuing any sustainability objectives;
- whose underlyings are selected considering ESG factors solely for risk-management purposes.

III. Minimum Requirements for Issuers and Transparency

20. When the issuer is a special purpose vehicle (SPV), which entity shall adhere to the principles referred to in article 12 of the Guidelines?

27 If the issuer is a special purpose vehicle (SPV) which does not adhere to the relevant Principles, such Principles shall be adhered to by the relevant producer.

21. What are examples of sustainability approaches that would be considered adequate to pursue an Alignment or Contribution Objective?

28 Examples of suitable approaches to pursue an Alignment Objective (illustrative, non-exhaustive list):

- Best-in-class / Positive screening;
- Thematic;
- Climate alignment.

29 Examples of suitable approaches to pursue a Contribution Objective (illustrative, non-exhaustive list):

- Use of Proceeds;
- Stewardship.

22. In the context of the minimum content required for an Issuer Sustainability Framework (see article 14 of the Guidelines), what is meant by "lifecycle management process" and "status monitoring"?

30 This refers to how the "sustainability status" is monitored over time (e.g., frequency of monitoring, roles and responsibilities) and what happens if the sustainability "status changes" and the compliance with the sustainability criteria of the Sustainable Structured Product as defined in the applicable sustainability framework, respectively, is breached (e.g., required actions, communication obligations toward investors, see also article 10 of the Guidelines).

IV. Implementation

23. Is an extension of the scheduled maturity date of a structured product deemed to be a new issuance for the purposes of article 16 of these Guidelines?

31 No.

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