

The German Derivatives Association (Deutscher Derivate Verband, DDV) is the industry body, which represents 15 leading issuers of structured securities with a market share of more than 90 percent in Germany. Its work is supported by 17 sponsoring members, amongst which are stock exchanges and direct banks.

Based in Frankfurt, Berlin and Brussels, the DDV has the mandate to elaborate self-regulatory standards. Raising transparency and comprehensibility of structured products for retail investors lies at the core of its mission.

Issuer

Deutscher Derivate Verband

Office Frankfurt

Feldbergstraße 38
60323 Frankfurt am Main
phone: +49 (69) 244 33 03 - 60
fax: +49 (69) 244 33 03 - 99
info@derivateverband.de

Office Berlin

Pariser Platz 3
10117 Berlin
phone: +49 (30) 4000 475 - 15
fax: +49 (30) 4000 475 - 66
politik@derivateverband.de

Office Brüssel

Rond-Point Robert Schuman/
Robert Schuman-Plein 2 - 4, Level 6
1040 Brüssel, Belgien
phone: +32 (0) 2 550 34 60
eu@derivateverband.de

www.derivateverband.de

DDV Sustainable Finance Code of Conduct

PRODUCT AND TRANSPARENCY STANDARDS FOR ISSUING SUSTAINABLE STRUCTURED PRODUCTS

As at: March 2021

The Sustainable Finance Code of Conduct of the German Derivatives Association (Deutscher Derivate Verband, DDV) introduces the product group of sustainable structured products and positively distinguishes it from other structured products in accordance with the DDV product classification.

This document summarises the key statements of the Sustainable Finance Code of Conduct.

The full version of the Sustainable Finance Code of Conduct can be found on our website: www.derivateverband.de

1 COMPREHENSIVE CONCEPT OF SUSTAINABILITY

In offering sustainable structured products, the members of the German Derivatives Association (Deutscher Derivate Verband, DDV) place the protection of natural resources and universal human rights at the centre of their business activities. This applies, in particular, to the achievement of the objectives of the sustainable finance agenda of the European Union, which they support and promote with their sustainable structured products.

2 COMPREHENSIBLE STANDARDS

The members of the DDV undertake to label structured products as sustainable only if they meet comprehensible sustainability standards. When selecting such products, investors can rely on the fact that environmental and/or social criteria as well as issues of good corporate governance are taken into account.

3 MINIMUM REQUIREMENTS FOR THE ISSUER

The members of the DDV shall only label sustainable structured products as “ESG Products” if they themselves or the group to which they belong have achieved the status of a sustainable company with at least one recognised rating agency and consider the UN Principles for Responsible Banking¹ and/or the UN Global Compact and/or equivalent principles.

4 MEASURABLE IMPACT

The members of the DDV shall label sustainable structured products as “ESG Impact Products” only when the products pursue one or more measurable sustainability objectives, using or have been using an amount initially equal to at least the net issuance proceeds of the security to fund economic activities (within the scope of the issuer’s business activities) that contribute to these objectives. These may be green/environmental objectives, social objectives, or a combination of both. The issuers are responsible for the appropriate use-of-proceeds and are to publish regular reports on this.

5 FOCUS ON INVESTMENT PRODUCTS

When issuing sustainable structured products, the members of the DDV shall focus on investment products as defined in the DDV product classification.² Leverage products are not to be labelled as sustainable structured products. Investment products that benefit from a downward movement of the underlying asset are also to be excluded from being labelled as sustainable structured products.

6 RESTRICTIONS ON COAL, WEAPONS AND TOBACCO

The members of the DDV shall not label structured products as sustainable if they have companies as an underlying or reference issuer that exceed certain thresholds in their turnover from the production and/or distribution of military equipment or coal, or from tobacco production. Companies that produce or distribute controversial weapons are also to be excluded.

7 FOOD IS OFF LIMITS

The members of the DDV shall not label structured products as sustainable if they have agricultural commodities (soft commodities) as an underlying. Investors need to have the assurance that sustainable structured products do not encourage speculation with important foodstuffs.

8 UN GLOBAL COMPACT

The members of the DDV shall not label structured products as sustainable if they have companies as an underlying or reference issuer that commit serious violations of the UN Global Compact. Such companies, for example, violate the ban on child labour, do not respect human rights, or cause massive damage to the environment or natural resources.

9 HIGH LEVEL OF TRANSPARENCY

The members of the DDV undertake to publish all relevant information on the sustainable structured products issued by them in an easily accessible manner on a website so that investors can inform themselves about the labelling of the products as sustainable.

10 REGULAR UPDATE

This Sustainable Finance Code of Conduct shall be regularly reviewed and adapted to the applicable legal framework.

¹ If the UN Principles for Responsible Banking are not relevant for an issuer and/or a specific financial instrument (e.g., because the issuer does not conduct traditional banking business), the UN Principles for Responsible Investment may be considered as an alternative.

² Available at: https://www.derivateverband.de/MediaLibrary/Document/Derivate-Liga_A3_2020_EN.pdf