

Media Release

New sustainability standards for structured securities

- **DDV presents revised version of DDV Sustainability Code**
- **Sustainable Asset Pool developed as a new model for structured securities with a sustainable impact**

Berlin, 2 August 2022

The issuers of structured securities, who are represented in the Deutscher Derivate Verband (DDV), have agreed on a revised, expanded edition of the DDV Sustainability Code of Conduct, especially as the statutory provisions for sustainable finance have moved on since the Code was published in April 2021. The new DDV Sustainability Code of Conduct reflects the amended statutory requirements and sets out a new optional model called the Sustainable Asset Pool, which helps to meet specific investor needs under very detailed conditions for structured securities.

“The DDV supports the shift towards more sustainability. It is therefore important for us to create standards for structured securities with sustainability characteristics and objectives, thereby making a contribution to sustainable finance,” said Dr Henning Bergmann, the DDV’s Managing Director. “Nevertheless, we believe that the regulatory and supervisory framework for sustainable finance will take several more years to evolve and that political and societal priorities are currently being re-assessed. Even if the environment is dynamic and complex, our objective remains to offer investors a range of structured securities based on standardised products that meet their sustainability objectives.”

The DDV’s new Sustainability Code of Conduct is based on the revised target market model for the financial sector in Germany. The target market model was conceived jointly by the German Banking Industry Committee (Deutsche Kreditwirtschaft – DK), the German Investment and Asset Management Association (Bundesverband Investment und Asset Management – BVI) and the DDV. In line with European regulatory requirements, it subdivides securities with sustainability characteristics into three categories: (A) impact-related ecological investments within the meaning of the EU Taxonomy Regulation, (B) products with a sustainability-related impact as specified in the Sustainable Finance Disclosure Regulation (SFDR) and (C) products that exclude certain adverse environmental and social impacts (Principle of Adverse Impacts – PAI).

Structured securities can contribute towards sustainability either through the issuer’s business operations or – and this is new – by allocating the issue proceeds to projects or investments with certain sustainability characteristics, which constitute the Sustainable Asset Pool. Issuers in this pool ensure that they will hold assets that generate ecology- or sustainability-related impacts or that avoid adverse environmental and social impacts (PAI) – at the very least in the amount of the issue

volume and over the term of the structured security concerned. In this way, the investors' funds will be linked with financing for business operations that generate ecology- or sustainability-related impacts or avoid adverse environmental and social impacts (PAI). These assets will be reported separately from the issuer's other assets on the balance sheet and the pool will be regularly reviewed.

Issuers who apply the DDV's Sustainability Code of Conduct commit themselves to comply with the Code when they publicly offer structured securities with sustainability characteristics to private investors in Germany. They have the right to publicly indicate that they apply the provisions of the Sustainability Code when they issue structured securities with sustainability characteristics.

You can download the revised version of the DDV's Sustainability Code of Conduct on the DDV website at www.derivateverband.de.

Deutscher Derivate Verband (DDV), the German Derivatives Association, is the industry representative body for the leading issuers of structured products in Germany: BNP Paribas, Citigroup, DekaBank, Deutsche Bank, DZ BANK, Goldman Sachs, HSBC Trinkaus, HypoVereinsbank, J.P. Morgan, LBBW, Morgan Stanley, Société Générale, UBS and Vontobel. Furthermore, the Association's work is supported by more than 20 sponsoring members, which include the stock exchanges in Stuttgart, Frankfurt, and gettex. Baader Bank, the direct banks comdirect bank, Consorsbank, DKB, flatexDEGIRO, ING-DiBa, maxblue, S Broker, and Trade Republic, as well as the finance portals finanzen.net, onvista and wallstreet:online, and other service providers.

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