

ESG Product and Transparency Standard of Vontobel

Principles for the classification of products with sustainability features in connection with the query of sustainability preferences according to MiFID2

Scope

The ESG Product and Transparency Standard of Vontobel must be observed for structured products with sustainability features when certificates and structured notes are issued by an issuer of the Vontobel Group and offered to private investors in the European Economic Area and Switzerland that may be offered as structured products with sustainability features in connection with the query of sustainability preferences according to MiFID2.

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1. Introduction

Sustainability, including the responsible use of natural resources and the protection of universal human rights, affects many areas of life. An increasing number of investors would like to see sustainable aspects taken into account in their investments.

Up to now, investment in the classical sense has mostly taken into account only economic aspects such as return, security and liquidity. When considering sustainable aspects in the context of financial investment, certain sustainability characteristics from the areas of environment, social affairs and governance - the so-called ESG criteria - are added to the economic aspects.

Those who also assess investments in connection with sustainability characteristics also take into account, in addition to economic considerations, how well or poorly a company is managed, or how its corporate actions affect society and the environment. This directs the investor's attention to developments that are sustainable. And thus, also to developments that, in our view, have the potential for returns in the long term.

In recent years and months, the financial sector has been assigned a prominent role in addressing sustainability-related challenges by international policymakers and, in particular, European and national legislators.

Vontobel would like to make an active contribution to a more sustainable economy and society. Vontobel has therefore improved its sustainability performance in recent years and has anchored the topic of sustainability in its business strategy. At Vontobel, this improvement goes hand in hand with a reliable capital base and the forward-looking entrepreneurial thinking of a company that has been majority-owned by the founding family for decades. More detailed information on the sustainable corporate governance of the Vontobel Group can be found in the Sustainability Report, which is prepared annually and published on the website <https://www.vontobel.com/en-ch/about-vontobel/responsibility/sustainability-report/>.

Vontobel is happy to take up the challenge of responding to the growing awareness of the importance of climate change and corporate social responsibility, particularly in the areas of environmental, social and governance (ESG). This applies in particular to achieving the goals of the European Union's Sustainable Finance Agenda, which Vontobel aims to support and promote through its products with sustainability features.

2. Classification of certificates and notes

Certificates and structured notes (hereinafter "**Products**") are, in our view, important components of a diversified financial investment. However, these products are not directly covered by the scope of European legislation. Provided that investors communicate certain sustainability preferences, however, we believe that the largest possible number of different products should be available that meet these individual preferences.

Currently, there is a multitude of approaches that are pursued by market participants in the classification of Products in connection with the query of sustainability preferences. On the one hand, this leads to the fact that the classification of sustainable structured products on the part of the issuer and, on the other hand, the handling of the query of sustainability preferences on the sales side may have different methods, approaches and motivations.

In order to classify Products with sustainability features, Vontobel uses the currently valid "Typology for Sustainable Financial Instruments" (ESG target market) of the German Banking Industry (DK), the German Derivatives Association (DDV) and the German Investment and Asset Management Association (BVI) (hereinafter "**Associations Concept**").

According to the Associations Concept, products that are aimed at customers with sustainability-related objectives within the meaning of Article 9(9), first subparagraph, of Delegated Directive (EU) 2017/593 or the respective national transposition laws may, in principle, be guided by the requirements in Article 2 No. 7 lit. (a), (b) and (c) of Delegated Regulation (EU) 2017/565 (new version, comes into force on 2 August 2022):

- a Financial instruments involving a minimum proportion of economic activities within the meaning of Article 2, point 1 of Regulation (EU) 2020/852 (hereinafter "Taxonomy Regulation")

For investors wishing to invest in this category, it is important that the securities investment fully or partially finances 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 achieving the objectives of the 2015 Paris Agreement on Climate Change. The Paris Climate Agreement aims to limit global warming to well below 2° C and to strengthen the adaptation of business enterprises to climate change. Accordingly, investors want to make a contribution with their investment so that the transition to a sustainable economic system succeeds and Europe becomes climate-neutral by 2050.

- b Financial instruments that include a minimum proportion of sustainable investments within the meaning of Article 2, point 17 of Regulation (EU) 2019/2088 (Regulation on sustainability-related disclosures in the financial services sector, the "Disclosure Regulation"); and/or

For investors wishing to invest in this category, it is important that the securities investment fully or partially finances economic activities that, in addition to climate protection, also pay attention to other environmental and social objectives, e.g. waste recycling/avoidance, the preservation of biodiversity through animal and nature conservation, a more careful use of natural resources, the protection of water and soil, but also to social concerns, such as

combating social injustice and discrimination and respect for human rights.

- c Financial instruments where the main adverse effects on sustainability factors are taken into account in accordance with the investor's wishes.

For investors wishing to invest in this category, it is important that they wish to address one or more of the so-called Principal Adverse Impacts (PAI) with the security investment. For investors, this means that the investment is not directly aimed at promoting a specific environmental goal or social concern. Rather, the investment in securities is intended to do as little harm as possible in connection with one or more of the following PAI issue areas: (i) greenhouse gas emissions, (ii) biodiversity, (iii) water, (iv) waste and/or (v) social and labour issues.

In addition, there are products that explicitly do not meet any or only meet a few criteria and thus cannot be assigned to any sustainability preferences.

The notification of the intermediaries about the classification of the products by the issuer is carried out via the corresponding predefined data fields of the data vendors (e.g. WM Daten, RegXchange). This is to ensure that the information on the classification of the products is available in the market.

The following sections describe the criteria that Vontobel uses to classify products with sustainability features. These criteria have been drawn up on the basis of current legal regulations and the currently valid Associations Concept; future changes to these principles may lead to adjustments to the criteria.

The specific sustainability features of a concrete product or the possible allocations to the sustainability preferences of an investor are available on the respective product page after entering the ISIN on the website <https://derinet.vontobel.com>.

3. Criteria for the classification of Products

In connection with the specific sustainability characteristics of a Product, two levels are generally considered: On the one hand, the level of the issuer or the group to which the issuer belongs, and on the other hand, the level of the underlying.

The focus of the valuation is on the issuer or the group to which it belongs. Certificates are issued in the form of bearer bonds, the proceeds of which regularly serve the issuer for refinancing. Only a small portion of the proceeds flows into the derivative component of the product or the underlying. The contribution of a Product to the financing of a more sustainable economy or the consideration of adverse effects on sustainability factors thus regularly depends on the business activity of the issuer or the group to which it belongs.

In addition to this view, there is also the option of forming a segregated bond portfolio (a so-called Sustainable Asset Pool) to express the contribution of a specific product to the financing of a more sustainable economy or the consideration of adverse impacts on sustainability factors. In this concept,

Vontobel forms a Sustainable Asset Pool as part of the structuring process, at least to the extent of the proceeds of a specific issue. This allows a specific product to be assigned the sustainability characteristics of the Sustainable Asset Pool. More on this in section "F. Information on the sustainability feature".

4. Criteria at the level of the issuer

At the level of the issuer or the group to which the issuer belongs, three criteria are essential according to our conviction and the Associations Concept: (1) the commitment to sustainable principles and goals, which is emphasized, among other things, by joining the UN Global Compact and signing the United Nations Principles for Responsible Investment, (2) the classification by an independent third party as a sustainable company, which can be verified by a rating from a leading ESG research and rating agency, and (3) the observance of a recognized industry standard in order to reflect a robust concept when issuing Products.

In the following, these three criteria are further elaborated:

4.1. Joining the UN Global Compact and the Principles for Responsible Investment

In 2017, Vontobel joined the United Nations (UN) Global Compact. The Global Compact, which is supported by the United Nations, is a strategic initiative for companies that commit to aligning their business activities and strategies with ten universally recognized principles on human rights, labour standards, environmental protection and anti-corruption. In addition, the sustainability goals set out in the United Nations' "Agenda 2030" must be observed. More detailed information is available at <https://www.unglobalcompact.org/what-is-gc/mission/principles>.

In addition, Vontobel signed the UN Principles for Responsible Investment (UN PRI) back in 2010. These are six principles aimed at understanding the implications of sustainability for investors and helping signatories to incorporate these issues into their investment decision-making processes. In this way, signatories contribute to a more sustainable global financial system.

Further information on Vontobel's corporate responsibility is available on the websites <https://www.vontobel.com/en-ch/about-vontobel/responsibility/> and <https://www.vontobel.com/en-ch/about-vontobel/responsibility/ratings-and-memberships/>.

4.2. Status of a sustainable company

4.2.1. Basic philosophy

From sustainable investment solutions and a commitment to the community to environmental sustainability: corporate responsibility has a long tradition at Vontobel and appreciates all its complexity.

Vontobel is committed to continuous improvement in all areas of sustainable corporate governance over the long term. The focus here is on four fields of action:

- Sustainable investing: A strategic focus of our growth strategy is on the competencies and our offering in sustainable investing.
- Economic sustainability: Vontobel is distinguished by its client focus, long-term growth strategy and sound capital and risk policy.
- Ecological sustainability: With targeted measures, we try to achieve a significant reduction of CO₂ and other environmentally harmful factors in our operations.
- Social sustainability: We invest in social sustainability issues and projects out of deep-rooted conviction.

For us, business success, stability and sustainability go hand in hand. Sustainability therefore interacts closely with a successful business policy. The increased consideration of sustainability in all business areas is a permanent task.

As a pioneer in this field, Vontobel has been offering clients sustainable investment solutions since the 1990s. In 2007, Vontobel set out its underlying philosophy in ten sustainability guidelines. The group-wide Corporate Sustainability Committee, in which all relevant client divisions and expert centres are represented at management level, defines the sustainability strategy on the basis of the sustainability principles. Vontobel's ten sustainability principles are:

- 1 Vontobel is committed to the principle of sustainable development.
- 2 When advising our clients, we focus on their long-term satisfaction.
- 3 By offering innovative investment services that take into account sustainability opportunities and risks, we are responding to a growing demand.
- 4 As a company with a long-term orientation, we also offer our shareholders a sustainable increase in the value of the company by taking environmental and social aspects into account.
- 5 Vontobel works together with charitable foundations and through the personal commitment of each individual to create added value for society and culture.
- 6 We engage in an active dialogue with the public on sustainability issues.
- 7 We are an attractive and fair employer for our employees.
- 8 We continuously raise awareness among our employees about sustainability risks and opportunities.
- 9 We reduce the environmental impact of our business activities as far as possible and thus also contribute to climate protection.
- 10 We set ourselves concrete sustainability targets and ensure continuous improvement of our performance through appropriate management structures and processes.

In 2021, Vontobel also further developed its sustainability governance. Among other things, Vontobel has added six commitments to its sustainability positioning, which define its contribution to a more sustainable economy and society:

- 1 Vontobel has set itself the goal of reducing the net greenhouse gas emissions of its own investments and operating activities to net zero by 2030. This underlines Vontobel's commitment to the goals of the Paris Climate Agreement.

- 2 Vontobel actively approaches its clients to convince them that addressing the challenges of the sustainable transformation of the economy and society creates investment opportunities for them. Vontobel can identify and implement such investment opportunities.
- 3 Vontobel delivers dedicated investment solutions that focus on companies offering products and services that actively contribute to addressing the pressing challenges of our time, such as resource scarcity, climate change, global inequality, health and quality of life.
- 4 Vontobel's investment decisions are based on current ESG standards and an analysis of the main ESG risks, including climate change.
- 5 Vontobel creates an environment where everyone who wants to be part of the performance culture can be themselves. It is based on mutual respect and zero tolerance of any form of discrimination.
- 6 Vontobel reports transparently on the significance and handling of sustainability-related opportunities and risks and on its own measures in the area of corporate sustainability.

Vontobel is an employer with a strong sense of responsibility and the conviction that the skills and expertise of its employees are crucial to the long-term success of the company. For these reasons, the topics of training and development, health and work-life balance are central.

As an employer, taxpayer and active participant in economic life - for example as a buyer and investor - Vontobel contributes to regional value creation at its locations. In addition, Vontobel engages in issues and projects that are relevant to the stability and further development of the community. This is formulated in Vontobel's Business Code as follows: "Ever since Vontobel was established in 1924, we have been known for the high standards we set ourselves, our independence and our long-term perspective. Our Code of Conduct summarizes the principles and practices that define the way we do business at Vontobel and that are set out in detail in our guidelines and policies. The rules of conduct defined in the Code of Conduct are binding on all members of the Board of Directors and all employees of the Vontobel Group in its entirety and they form an integral part of their employment contract. Our clients, shareholders, employees, business partners, the authorities and the general public place their trust in us. We are committed to acting ethically, responsibly and with integrity and to being a reliable partner to them at all times. Our good reputation is our most valuable asset. We know that it is the key to our long-term success and that we must therefore resolutely protect it."

4.2.2. ESG-specific ratings from rating agencies

Vontobel receives above-average ratings from leading ESG research and rating agencies.

The ISS Group has awarded Vontobel "Prime Status" within the ISS ESG Corporate Rating. The rating assesses a company's sustainability performance in the areas of environment, social affairs and governance (so-called ESG criteria). About one third of the rating criteria are industry-specific. The rating has a best-in-class approach: Prime

status is awarded to companies that exceed the defined sustainability requirements (prime threshold) of ISS ESG for a specific industry within the ISS ESG Corporate Rating.

Another leading ESG research and rating agency, Sustainalytics, has also given Vontobel Holding AG an ESG risk rating of 17.9 (low risk). This puts the company in 105th place out of a total of 920 within the "Diversified Financials" industry group.

Finally, MSCI ESG has also rated Vontobel above average. On a scale from CCC to AAA, MSCI ESG rates Vontobel as A.

Vontobel is also a member of various organisations and a co-signatory of various investor initiatives. In this way, Vontobel is committed to the sustainable development of the environment and society. Further information on Vontobel's corporate responsibility is available on the website <https://www.vontobel.com/en-ch/about-vontobel/responsibility/ratings-and-memberships/>.

4.3. Observing a recognized industry standard

In connection with the issuance and classification of Products with sustainability features, Vontobel observes the Product and Transparency Standard for Issuing Sustainable Structured Products of the German Derivatives Association (DDV) (hereinafter "**Sustainability Code**"). The Sustainability Code is available at <https://www.derivateverband.de/EN/Showpage.aspx?pageID=252>.

The Sustainability Code introduces Products with sustainability features and positively distinguishes them from other structured products according to the DDV product classification. In addition, it contains essential transparency regulations for this product group. The Sustainability Code is based on the respective valid version of the Associations Concept and supplements it. Compliance with the Sustainability Code is regularly reviewed by the Sustainability Code Advisory Board.

The DDV Sustainability Code contains certain exclusion criteria on the product side. For example, no so-called leverage products may be classified as sustainable according to the DDV classification. Products classified as investment products that profit from a downward movement of the respective underlying are also excluded from classification as sustainable. The DDV classification is available at https://www.derivateverband.de/MediaLibrary/Document/220513_DD_V_Jahresbericht_englisch_Klapper.pdf.

Vontobel also has a Sustainable Investing and Advisory Policy that sets out how Vontobel integrates sustainability risks and material adverse sustainability impacts into its investment decisions and advisory services. Statements on the principal adverse impacts (PAI) of investment decisions on sustainability factors (the so-called PAI Statement) are published. The two documents are available on the website <https://www.vontobel.com/en-ch/legal-notice/sfdr/>.

5. Criteria at the level of the underlying

The underlying is essential for the structuring of the vast majority of Products. The underlying is the reference object on which the product is based (e.g., shares, indices, currencies, commodities, futures contracts but also instruments combined into baskets), which is decisive for determining the price of the product.

In the context of the underlying, three criteria are essential in our view: (1) the company that issued the underlying (e.g. the shares or bonds of a company) has not committed any material violations of the UN Global Compact (for more information on the UN Global Compact, see section D (1) above) or - in the case of government bonds - the government has a sufficient score according to the Freedom House Index ("not free" is not sufficient), (2) certain underlyings are excluded on the basis of an exclusionary screening (minimum exclusions) and (3) the selection of the underlying is made according to a dedicated ESG strategy.

5.1. Joining the UN Global Compact

If the underlying is a share or bond, the issuer of this underlying must also be a signatory to the UN Global Compact and there must be no serious violations (without a positive outlook) of it.

If the underlying is an index or fund, each index or fund component must meet the requirements.

Insofar as interest rate notes from Vontobel are concerned, there is no classic underlying. In this case, only Vontobel's sustainability approach is taken into account and deemed sufficient.

Insofar as reference debtors are involved in the case of credit-linked notes, the respective reference debtor must be a signatory to the UN Global Compact and there must be no serious violations (without a positive outlook) against it.

If the underlying is a governmental issuer, it must not have an insufficient score ("not free") according to the Freedom House Index. This is to ensure that there is no serious violation of democracy and human rights. More information is available on the website <https://freedomhouse.org/countries/freedom-net/scores>.

5.2. Minimum exclusions

The ethical and moral values that investors wish to have taken into account in their investments can differ greatly from one individual to another. As a minimum standard, Vontobel undertakes not to identify any Products with a sustainability impact whose underlying or reference debtors are companies that generate revenues (production and/or distribution) from the following sources. The exclusion criteria cover at least the minimum exclusions set out in the DDV Sustainability Code.

5.2.1. Military hardware

Vontobel undertakes not to classify any Products with companies as underlyings or reference debtors that generate more than 10% of their sales (production and/or distribution)

from military hardware as Products with sustainability features.

In addition, Vontobel assesses certain weapons as controversial. The precise definitions of these banned weapons are set out in the International Convention on Cluster Munitions (UN CWC), the Biological Weapons Convention (UN BWC), the Chemical Weapons Convention (UN CWC) and the Anti-Personnel Mine Ban Convention (also known as the Ottawa Convention). Vontobel neither finances companies that manufacture weapons classified as controversial nor invests in manufacturers of such weapons as part of actively managed assets. Products with companies as underlyings or reference entities that generate revenues (production and/or distribution) from the aforementioned weapons are therefore excluded from qualification.

5.2.2. Tobacco production

Vontobel undertakes not to classify any Products with companies as underlyings or reference debtors that generate more than 5% of their sales (production) from tobacco production as Products with sustainability features.

5.2.3. Coal

Vontobel undertakes not to classify any Products with companies as underlyings or reference debtors that generate more than 30% of their sales (production) from coal as Products with sustainability features.

5.2.4. Further criteria

In addition, the following exclusion criteria apply: (i) for companies: business activities in the areas of armaments, nuclear energy, agrochemicals, chlorine chemicals, airlines, fracking, oil sands, gambling, genetic engineering and pornography (thresholds: 5% of gross profit; pure distribution: 10% of gross profit (for armaments: 5%.); (ii) for states: execution of the death penalty, classification as "not free" according to Freedom House Index, non-ratification of the Paris Climate Agreement and rating "low" or "very low" in the Global Peace Index.

5.2.5. Agricultural commodities (soft commodities)

Vontobel undertakes not to classify any Products on underlying agricultural commodities (soft commodities) as Products with sustainability features.

5.3. Selection of the underlying according to ESG strategy

At the level of the underlying, we are convinced and in line with the Associations Concept that a dedicated ESG strategy is particularly important when selecting the underlying or reference value of the Product.

Accordingly, an underlying or reference debtor can only serve for a sustainable Product if certain requirements are met:

5.3.1. Selection procedure

Thus, at least one of the following selection procedures must be observed when selecting the underlying:

- Best-in-class selection - this is a filter that selects the "best" equity or bond issuers in each category, such as equity or bond issuers that have the lowest value of carbon dioxide emissions per unit of sales/gross value added.
- Thematic selection - this is a filter where underlyings are selected on the basis of a specific, unique theme that contributes to the achievement of environmental or/and social objectives. These objectives may, for example, relate to a specific environmental or social theme, area or sector, such as issuers of shares or bonds in the area of the production of energy from non-fossil sources.
- Selection by temperature alignment - this is a filter that selects issuers of shares or bonds that aim to align their carbon emission reductions with a temperature target. This compatibility does not necessarily have to be in line with the EU Paris Agenda benchmark or the EU climate change benchmark.

In addition to cross-product ESG product and transparency standards such as the Associations Concept, external - i.e. outside the Vontobel Group - administrators, managers or calculation agents of indices or funds may also take comparable requirements into account in the selection process when selecting index or fund components. However, at least the above mentioned criteria need to be adhered to, i.e. joining the UN Global Compact, taking into account the above listed minimum exclusions and a selection of the underlying according to an ESG strategy comparable to the above mentioned ESG strategy.

5.3.2. Process and data

When selecting the underlying or reference issuer, Vontobel follows an ESG strategy that takes into account both certain qualitative requirements (such as minimum exclusions) and other criteria (such as in-house research results).

Within the framework of the ESG strategy, the results of the respective Vontobel investment team as well as external data providers (such as the MSCI ESG Rating and Refinitiv) serve as data sources.

The respective Vontobel investment team conducts sustainability research for internal investment teams and external clients. Company- and country-specific ESG assessments are prepared based on an in-house analytical approach. The valuation model used takes into account a broad range of ESG indicators. It is based on a modified "best-in-class" approach: in each sector, those issuers are eligible for investment that meet sector-specific ESG criteria at least above average. Stricter requirements apply in sectors with a major impact on the environment and society.

The respective Vontobel investment team uses ESG indicators from Refinitiv and MSCI ESG as raw data for the analysis. These are evaluated according to the in-house valuation approach. For a core universe of issuers, a detailed analysis is also carried out by the ESG analyst team, which also includes primary information from the respective companies and from publicly accessible sources.

The externally sourced data is always subjected to a plausibility check. A plausibility check is also important because at the current time there are no uniform requirements with regard to ESG ratings.

6. Information on the sustainability feature

In principle, two components can be considered for a Product to generate a sustainability effect: the bond (bond component) and the underlying on whose performance the Product's payout profile depends (derivative component).

The possible sustainability effect of the bond components results from the fact that the issue proceeds from the product usually contribute to refinancing the lending business of the issuer or the group in which the issuer is consolidated. In addition, a possible sustainability effect can be achieved in that hedging transactions are usually carried out in connection with the issuer's risk position and the underlying on whose performance the Product's payout profile depends (derivative component).

On the one hand, the key figures of the issuer or the group in which the issuer is consolidated can therefore be used for the information on the sustainability feature of a Product. This is because there is a functional connection between the raising of liquid financial resources through the Product issues in the form of issue proceeds (liabilities side) and the use of these issue proceeds in the form of (sustainable) economic activities, e.g., through lending (assets side).

Thus, the investor's sustainability-related objective can be achieved by using the proceeds of the issue to finance the issuer's general business. This is because structured products are bearer bonds. By issuing a structured product, the issuer generates issue proceeds which it can use on the asset side of its balance sheet for its own business activities (e.g., granting loans, acquiring securities for its banking book or entering into hedging transactions). Subsequently, the issuer can contribute to one of the sustainability-related goals mentioned above through its general business activities.

On the other hand, there is the possibility to use the issue proceeds to a certain extent in connection with companies with sustainable economic activity (bond component). According to this approach, care is taken to ensure that, at least in the amount of the issue volume and over the term of the respective structured product, assets are held that have an "ecology" or "sustainability" feature or take environmental and social issues (through adverse impacts, Principle Adverse Impacts - PAI) into account. These assets are separated from the issuer's other balance sheet assets in terms of accounting and their holdings are regularly reviewed (so-called **Sustainable Asset Pool**). Through this approach, the investor's investment is linked to the financing of an economic activity that has an "ecology" or "sustainability" feature or takes environmental and social issues (through PAI) into account.

6.1. Sustainability data of the issuer/group

If Vontobel decides to link certain products to the sustainability data of the issuer or the group to which the issuer belongs, the following applies:

Where reliable data are available, the information published by Vontobel and relating to the Vontobel Group on the minimum share of economic activities in accordance with the Taxonomy Regulation (taxonomy ratio) (for Products with the sustainability feature ecology) and/or on the minimum share of sustainable investments in accordance with the Disclosure Regulation (SFDR ratio) (for Products with the sustainability feature sustainability) for the respective Product is generally stated for Products with sustainability features; in addition, the consideration of the most important adverse impacts on sustainability factors (so-called PAIs - Principle Adverse Impacts) can be indicated.

As of the date of this Standard, Vontobel will report the following PAIs for products with sustainability features:

- 01 = GHG (greenhouse gas - GHG) Greenhouse gas emission
- 02 = CO₂ footprint
- 10 = Violation of principles of the UN Global Compact Principles and OECD Guidelines for Multinational Enterprises
- 14 = Commitment to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

6.2. Sustainability data of a Sustainable Asset Pool

If Vontobel decides to link certain products to the sustainability data of a Sustainable Asset Pool, the following applies:

In connection with the sustainability features described above at the level of the bond component, Vontobel holds on the asset side of its balance sheet, at least in the amount of the issue volume, assets that include sustainable investments within the meaning of the Taxonomy Regulation or the Disclosure Regulation (see Article 2 No. 7 lit. (a) and (b) of Delegated Regulation (EU) 2017/565) or take into account adverse impacts on sustainability factors (Article 2 No. 7 lit. (c) of Delegated Regulation (EU) 2017/565) (hereinafter "**Sustainable Asset Pool**").

6.2.1. Eligible assets

In addition to loans, securities held in the investment book (shares and bonds, such as green bonds) can be considered as assets that can be included in the Sustainable Asset Pool.

For each financial instrument held in the Sustainable Asset Pool, Vontobel determines a taxonomy or sustainability ratio or the consideration of adverse effects on sustainability factors. For this purpose, Vontobel uses either (from 2023) the data reported by the respective investee companies in accordance with the Taxonomy Regulation or Disclosure Regulation or data supplied by external data providers. The individual quotas are then used to calculate a quota for the entire Sustainable Asset Pool.

Finally, it is possible to form several Sustainable Asset Pools with different sustainability effects or minimum quotas.

6.2.2. Use of proceeds

The products marked accordingly by Vontobel are allocated to a Sustainable Asset Pool. If Vontobel has set up several Sustainable Asset Pools, the allocation will in principle be made to the Sustainable Asset Pool whose minimum details correspond to those shown in the product information for the Products concerned.

The financial instruments held in the Sustainable Asset Pool do not have to show a reference to the underlying of the Products concerned. The financial instruments may be variable over the term of the Products concerned, i.e., the Sustainable Asset Pool may vary in its composition.

In the case of Products for which the client determines a minimum share in environmentally sustainable investments (within the meaning of the Taxonomy Regulation) or sustainable investments (within the meaning of the Disclosure Regulation), Vontobel shall communicate this share per Product (on an ISIN basis) as part of the procedure described above in connection with data vendors.

6.2.3. Pooling and internal processes

Vontobel ensures through internal processes that the volume of the (respective) Sustainable Asset Pool from the value date of the issues until maturity is consistently greater than the sum of the gross issue volumes of the corresponding Products allocated to the (respective) Sustainable Asset Pool.

The formation of Sustainable Asset Pools is carried out by an accounting system at Vontobel that has been set up specifically for this purpose. As a sub-accounting instrument, this accounting system is subject to external or internal auditing (see section (d) below). This ensures that there is no double use of one and the same asset for several Sustainable Asset Pools (so-called earmarking). A further link between the use of the issue proceeds and the financing of the assets in the Sustainable Asset Pool is not envisaged. The issue proceeds will therefore not be used specifically for the acquisition of assets for the Sustainable Asset Pool by way of account segregation.

6.2.4. Audits / Internal Controls (ICS)

Vontobel regularly reviews the Sustainable Asset Pool(s).

The purpose of the audit is to confirm that the Sustainable Asset Pool

- complies with the information shown in the Product information in connection with quotas and PAIs, and
- the volume of the Sustainable Asset Pool is consistently larger than the total gross issuance volume of the Products allocated to the Sustainable Asset Pool.

The audit can be carried out either internally (e.g., via the internal audit department of Vontobel) or externally (e.g., by auditors).

The result of the audit shall be made public.

7. Target market

Vontobel classifies its structured products into defined categories in accordance with the Associations Concept and the DDV Sustainability Code. The basis for this classification is the Associations Concept in its current version.



- 1 **Non-ESG:** Products without sustainability features are classified as "non-sustainable".
- 2 **Ecology:** In the case of Products with the designation "ecology" within the meaning of Article 2 No. 7 lit. (a) of Delegated Regulation (EU) 2017/565, a certain percentage value of the use of funds is used for the financing of environmentally related economic activities, such as solar or wind power plants. The respective percentage value is determined according to the specifications of the Taxonomy Regulation. This information generally refers to the level of the issuer or the group to which the issuer belongs.
- 3 **Sustainability:** For Products with the designation "sustainability" within the meaning of Article 2 No. 7 lit. (b) of Delegated Regulation (EU) 2017/565, a certain percentage of the use of funds is used to finance sustainable economic activities. The respective percentage value is determined according to the requirements of the Disclosure Regulation. This disclosure generally refers to the level of the issuer or the group to which the issuer belongs.
- 4 **PAI:** In the case of products with the designation "PAI" (ESG strategy with consideration of environmental and social issues) within the meaning of Article 2 No. 7 lit. (c) of Delegated Regulation (EU) 2017/565, an attempt is made to reduce adverse impacts on the most important sustainability factors (so-called Principal Adverse Impacts). This consideration is generally carried out at the level of the issuer or the group to which the issuer belongs. At the level of the underlying, consideration is given within the framework of the ESG strategy by means of exclusion criteria.

8. Further information

- Associations Concept of the German Banking Industry (DK): <https://www.bvi.de/en/services/samples-and-working-aids/standard-for-the-determination-of-the-target-markets-for-securities/>
- DDV Sustainability Code: <https://www.derivateverband.de/EN/Showpage.aspx?pageID=252>

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