Objective

The objective of this document is to describe the 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 is observed for investment solutions with sustainability features when bearer debt securities, certificates and structured notes (hereinafter “**Products**“) are issued by Helveteq AG and made available to investors in the European Economic Area and Switzerland that may qualify as structured products with sustainability features in connection with the query of sustainability preferences according to MiFID2.

Classification of the Products

These Products are important components of a diversified financial investment, yet these Products are not directly covered by the scope of European legislation. The classification of our Products with sustainability features follows the assignment of product categories to specific sections of the Disclosure Regulation in accordance with the “ESG Target Market Concept” of the German Banking Industry (DK), the German Derivatives Association (DDV) and the German Investment and Asset Management Association (BVI) (hereinafter "**Concept**").

In particular, as part of the structuring process, Helveteq forms dedicated Sustainable Asset Pool (see below **Segregation of Sustainable Asset Pools)** to the extent of the proceeds of the Product. This allows any given Product to be assigned the sustainability characteristics of the specific Sustainable Asset Pool allocated to it.

Target Market

According to this Concept the classification of 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 (as updated from time to time):

- 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");
- 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
- Financial instruments where the main adverse effects on sustainability factors are considered in accordance with the investor's wishes.

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.

Segregation of Sustainable Asset Pools

Helveteq’s products with sustainability characteristics are linked to a dedicated Sustainable Asset Pool. This means that the relevant assets with the defined sustainability or environmental and/ or social characteristics, are being held over the term of the respective product in the value size of the product’s outstanding volume. These assets are virtually segregated from the issuer’s other balance sheet assets from an accounting perspective, and their holdings are regularly and independently reviewed.

Through this approach, the investor's investment is linked to the financing of an economic activity that has an impact on the environment or sustainability or takes environmental and social factors (PAIs) into account.

Collateralization

Helveteq's securitization platform entails 1:1 physical replication and 100% collateralization. Therefore, the collateral held for the product is always predetermined by the underlying asset(s). Accordingly, the Sustainable Asset Pool of any given Product comprises the collateral of the relevant Product.

Through the audited subledger accounting system and the appointment of an independent administrator, it is ensured that every Product holds the adequate amount of collateral.

For each asset held in the Sustainable Asset Pool, Helveteq calculates an SFDR ratio and/ or, as soon as the required data is available, the taxonomy ratio. The individual SFDR or taxonomy ratios are then used to determine an SFDR or taxonomy ratio for the entire Sustainable Asset Pool as a whole.

Criteria for the use of proceeds in a Sustainable Asset Pool

As described above, the assets comprising the Sustainable Asset Pool of a Product ultimately define the classification of the Product itself. Hence, the collateral of any given Product must exhibit the driving sustainability, environmental and/ or social characteristics as such.

The selection strategy that Helveteq utilizes for the underlying assets is further subject to certain exclusion criteria.

Minimum exclusion criteria and exclusion of certain product groups

In terms of a minimum standard, Helveteq undertakes not to offer Products with underlying assets such as:

1) <u>Companies that generate turnover from the following sources:</u>

    a) Weapons > 10%[1] (prohibited weapons > 0%)[2]
    b) Tobacco production > 5%
    c) Coal > 30%[1]
    d) Serious violations of the following principles of the UN Global Compact (without prospects of improvement):

        i) Protection of international human rights
        ii) No complicity in human rights abuses
        iii) Upholding the freedom of association and the recognition of the right to collective bargaining
        iv) Elimination of forced labor
        v) Abolition of child labor
        vi) Elimination of discrimination when hiring and employing
        vii) Precautionary approach in dealing with environmental problems
        viii) Promote greater environmental awareness/responsibility
        ix) Development and propagation of environmentally friendly technologies
        x) Combat all forms of corruption

[1] Turnover from production or distribution.
[2] Weapons prohibited under the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (Ottawa Treaty) or the Convention on Cluster Munitions (Oslo Treaty), or biological or chemical weapons as defined under the respective UN conventions (UN BWC and UN CWC).

2) Government bodies with:

   a) Insufficient scoring according to the Freedom House Index[3]

3) Agricultural commodities:

   a) Agricultural commodities (soft commodities) are excluded as underlying assets.

[3] https://freedomhouse.org/report/freedom-world/2018/scores