

Sustainability Rating

Methodology to assess the sustainability of structured products



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Comparing the sustainability of Structured Products

The structured products' sustainability rating is based on the weighted average of the sustainability ratings of the two main components of a structured product:

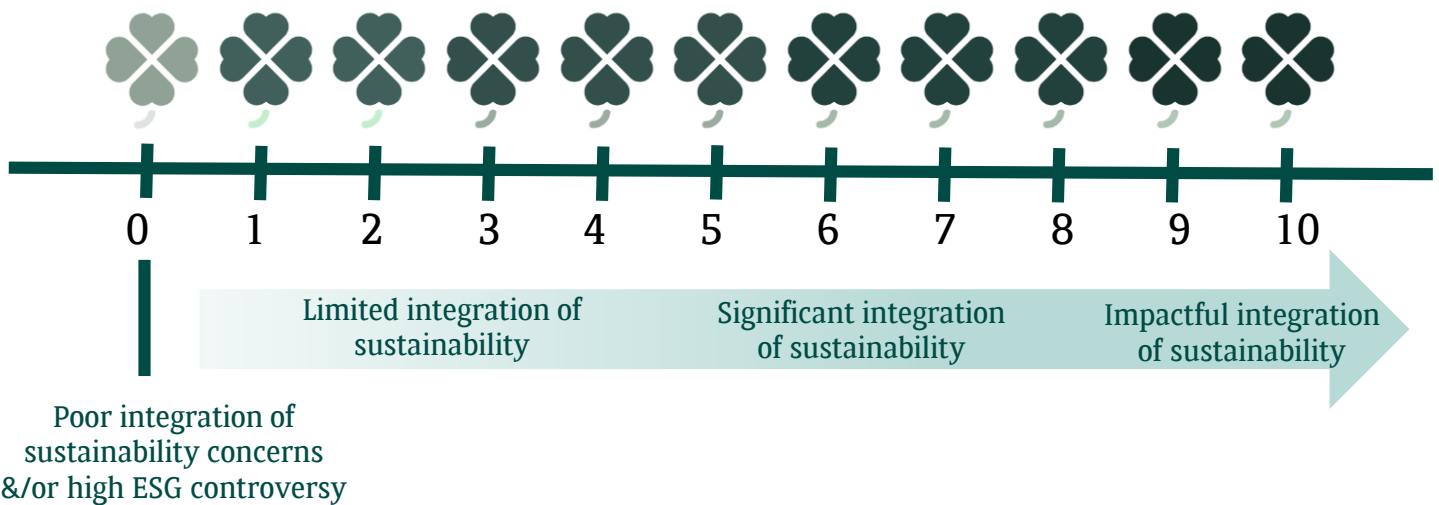
- **The issuer**
- **The underlying(s)**

The issuer and the underlying(s) are rated according to existing WM sustainability rating methodologies for funds, ETFs, bonds, equities and indices.

To determine the weights to be allocated to the issuer and the underlying, we follow the principle of the tracking of investment proceeds in the structured product and exposures generated by the product.

We identify **3 types of structured products**: structures with call/put options (bullish, bearish or outperformance structures), delta 1 structures and structures with a neutral ESG underlying (e.g. forex or interest rates)

Sustainability Rating of Structured Products

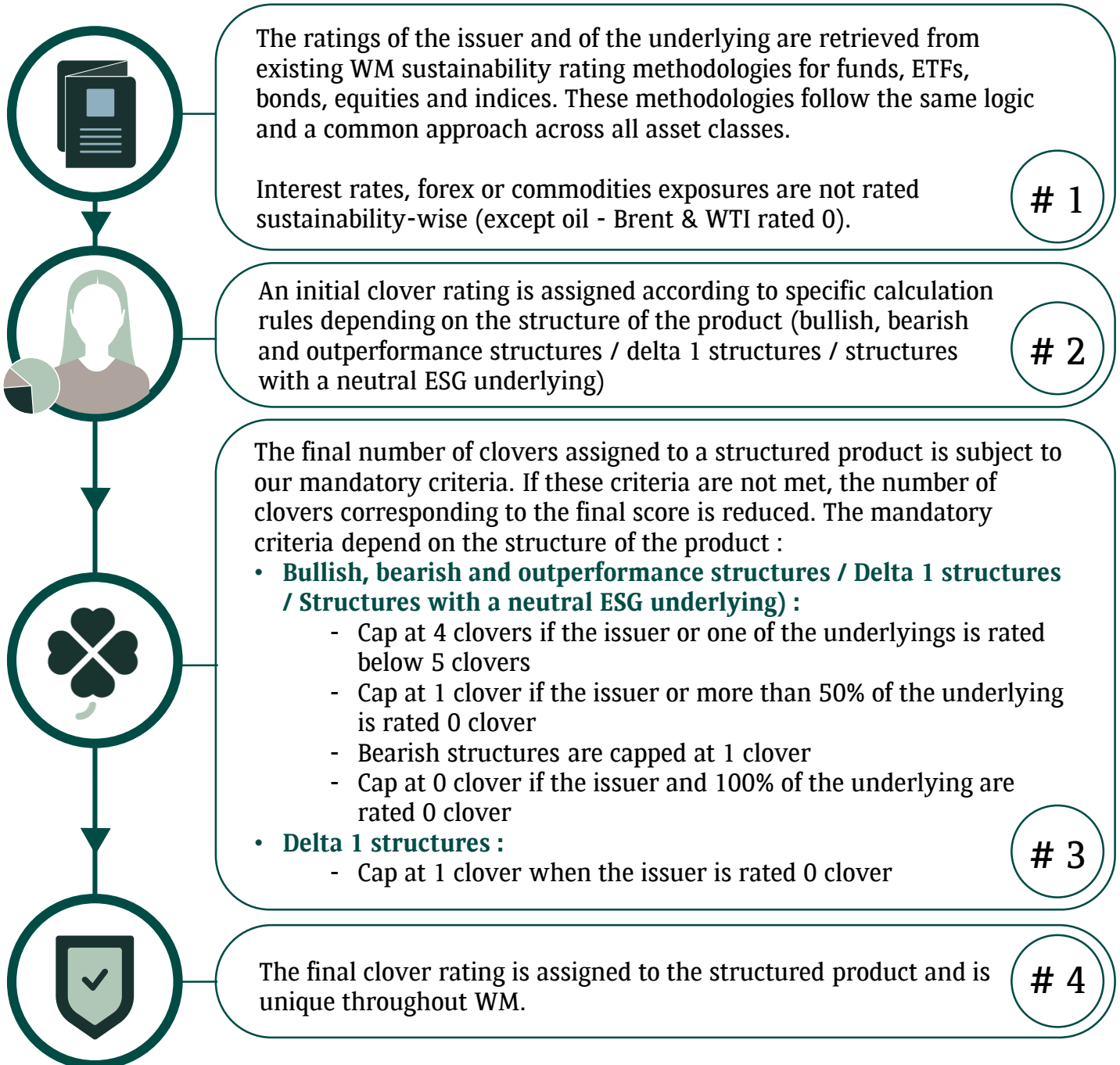


A rating dependent of the features of the product

<p>Bullish, bearish and outperformance structures</p> <p>The issuers and underlying(s)' sustainability ratings weights equally 50% each, with caps on rating implemented in some cases (cf. p.3)</p>	<p>Delta 1 structures</p> <p>The underlying's sustainability rating weight equals 100% in the final rating, with caps in rating implemented in some cases (cf. p.3)</p>	<p>Structures with a neutral ESG underlying (ie forex or interest rates)</p> <p>The issuer's sustainability rating weight equals 100% in the final rating</p>
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A 4-step methodology

The aim is to assess all structured products, whether sustainable or not.



Key points

- This methodology measures the sustainability level of all recommended structured products, whether responsible or not. It is a proprietary and exclusive methodology.
- It rates and compares, in an objective way, the sustainability of structured products of various authorized issuers.
- It follows the same logic and a common approach across all asset classes in order to compare all financial instruments (funds, equities, bonds, etc.) in a portfolio.
- Structured Products with a maturity of less than one year are not integrated in this sustainability rating.

GLOSSARY

ESG

In the financial community, these initials refer to the Environmental, Social and Governance (ESG) criteria, which are used to complete the traditional financial analysis of issuers. ESG criteria assess the extent to which issuers are responsible for the environment and their stakeholders (employees, customers, suppliers, subcontractors, partners, local community, etc.).

Structured product

A structured product, also known as a market-linked investment, is a pre-packaged investment product composed of a Zero coupon Bond and one or more options. It can be structured on a single security, a basket of securities, options, indices, commodities, debt issuance or foreign currencies, and to a lesser extent, derivatives.

Issuer

A financial institution, which issues the structured product. One of the main risks in a structured product is the investor's exposure to the issuer creditworthiness

Underlying

Structured products are financial instruments whose performance or value is linked to that of an underlying asset, product, or index. These may include market indices, individual or baskets of stocks, bonds, and commodities, currencies, interest rates or a mix of these.

Option

An option is a contract, which conveys its owner, the holder, the right, but not the obligation, to buy or sell an underlying asset or instrument at a specified strike price prior to or on a specified date, depending on the form of the option.

Bullish structure

A Bullish Structure offers a positive return when the price of the underlying asset rises.

Bearish structure

A bearish structure offers positive return when the price of the underlying asset drops.

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