FNG Label

for sustainable mutual funds

Rules of Procedure 2017

Last amended 17 March 2017
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Preamble

Forum Nachhaltige Geldanlagen (FNG), founded in 2001, is the industry association promoting sustainable investment in Germany, Austria, Liechtenstein and Switzerland. One of FNG’s objectives is to assure the quality of sustainable investments by constantly improving quality standards for sustainable investment products.

It is to this end that FNG, together with its members and other stakeholders, has developed a Quality Label for sustainable mutual funds. The methodology is based on Eurosif’s Transparency Code and FNG’s Sustainability Profiles. Both these tools help to improve the transparency of sustainable finance products. Novethic, an independent research and media centre based in France, assisted FNG with the development and operationalisation of the Label methodology. During the process, FNG established a subsidiary, Gesellschaft für die Qualitätssicherung Nachhaltiger Geldanlagen (GNG) mbH, which is responsible for awarding the label.

In recent years, the sustainable investment market has exhibited dynamic growth, and this has been reflected in an increasing variety of different products and sustainable investment approaches. In general, this development has been beneficial for investors. However, it is evident that an increasing number of investors perceive the sustainable investment market as confusing and complex. A quality label can help to reduce information costs, provide clarity, and promote the establishment of standards and quality assurance in a growing market.

The Label provides fund providers with the opportunity to document the quality and the sustainability standards of their investment products – audited by Novethic – and, at the same time, allows them to make an active contribution to the further development of the sustainable investment market in the German-speaking countries.

The label award process does not cover the checking of mutual funds’ prospectuses or other offer documents, nor of the actual use of funds by fund managers. The award of the label does not in any way constitute an assertion by GNG and Novethic as to the completeness, accuracy, economic viability or legal compliance of the offer or the investment activities of the mutual fund concerned. Anything to the contrary is neither intended per se by the applicant or by FNG and GNG, nor intended to be communicated to the applicant’s investors or investors in the mutual fund concerned.
1. Label award terms and conditions

1.1. Label award procedure

The Label award procedure is carried out once a year and the results are announced in the fourth quarter of the year. Once awarded, the Label is valid for one year (the following calendar year) subject to verification checks of product compliance with the Label criteria, which may be carried out at any time. The labelling procedure comprises the following steps:

- **Call for applications**: The application documents are sent to all investment managers who have indicated to FNG or Novethic that they are interested in participating. Application documents are also available on request.

- **Submission of application documents**: in each Label award cycle, applications must be submitted to GNG (fng-siegel@g-ng.eu) and Novethic (siegel@novethic.fr) prior to the deadline specified on page 6. Novethic processes all completed applications in the order in which they are received. Once the application has been submitted, the completeness of the documentation is verified and, if that is the case, its receipt will be officially confirmed. The auditing process will then begin.

- **Auditing process**

The auditing process will be executed in the following manner:

1. Compliance check and possible request for additional information
2. First assessment of the fund by two analysts and internal discussion
3. Discussion with candidate about compliance of fund with label criteria; candidate can provide additional information if needed
4. Further analysis and transmission of preliminary audit results to the candidate
5. Discussion of these results with the candidate; candidate can provide additional information until October 27, 2017 if needed
6. Drafting and submission of final audit report to GNGmbH
7. Assessment of the audit report by label committee and final label decision by GNGmbH
Information provided by the applicant in the application form must be fully valid at the time the application is submitted. The assessment of funds is based exclusively on written information and data. Verbal explanations given in personal meetings or telephone calls must be recorded in minutes, which must be approved by the applicant and the auditor. Statements and future commitments will not be taken into account.

2017 Label award calendar:

<table>
<thead>
<tr>
<th>Call for applications:</th>
<th>17 April 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application submission deadline:</td>
<td>17 July 2017</td>
</tr>
<tr>
<td>Announcement of funds awarded the Label:</td>
<td>End of November 2017</td>
</tr>
</tbody>
</table>

1.2. Processing fee

FNG charges a processing fee as of follows, payable within 14 days after issuing the invoice.

- EUR 3,500 plus VAT per applicant fund in case of a new applying fund provider.
- EUR 3,100 plus VAT per fund provider
  - In case they have applied for the label in the previous years
  - In case they apply for the label with at least four funds

Fund providers which submit their application document after the submission deadline have to pay an extra fee as of EUR 400 plus VAT.

Auditing is included in the processing fee.

Additionally, the awarding of the Eurosif transparency logo is included in the fee.

Applicants must pay the processing fee in order for the fund concerned to be audited. Processing fees are not refunded if the Label is not awarded or if the Label grade awarded does not meet the applicant’s expectations. They are charged to cover the expenses incurred in the auditing process. The fees should in no way be construed as a payment made in order to obtain the Label.

1.3. Label Committee

The Label Committee is a key element of the Label’s organisational model. It comprises various stakeholders from the sustainable investment field, such as institutional and retail investors and representatives from NGOs, industry associations and the academic world. The three FNG countries, Germany, Austria and Switzerland, are also represented on the committee. It has an advisory role, and its independent expertise will underpin the Label concept and contribute to its development. The Committee’s tasks include, amongst other things, drawing up recommendations for the assessment of engagement and for dealing with complaints and complex or difficult cases. In addition, the Committee has the right to see the fund’s audit reports and to conduct random checks.
1.4. Compliance monitoring

The auditor reserves the right to verify at any time that labelled funds still comply with the Label criteria. If any aspects of the labelled funds change, applicants are asked to submit information in order to check whether their compliance with the Label criteria has been compromised.

The applicant must comply with requests from Novethic or FNG for any documents or other information needed to ensure the fund’s compliance with the Label criteria (application documents plus on-site interviews, where necessary). In return, Novethic and FNG shall not disclose this information if it has not (yet) been made public by the applicant. The applicant undertakes to keep FNG and Novethic up to date with any changes in the investment process, particularly where these occur during the auditing period.

1.5. Non-compliance following the award of the Label

Should FNG or Novethic identify a change in the fund’s management or communication procedures that would impact on its compliance with the minimum requirements and on the Label grade awarded, they will conduct a formal review comprising the steps set out below:

- Contact is made with the applicant in order to examine the issues in question more closely.
- The applicant has one month to restore compliance with the Label criteria.
- If the appropriate measures are taken within the required one-month timeframe, the fund is permitted to retain the Label.
- If the applicant’s response implies that it cannot comply with the minimum requirements or the Label grade awarded, or if the appropriate measures are not taken within the required one-month timeframe, the Label is withdrawn or the Label grade that has been awarded is downgraded as appropriate. FNG shall ensure that all Label withdrawals and all Label downgrades are appropriately and accurately reflected in its external communications.
- In either case, the applicant is notified of the decision reached by FNG and Novethic.
- In the case of the Label being withdrawn, the applicant must remove all references to the Label from all of its communications relating to the fund.
- In the case of the Label being downgraded, the applicant must correct the grade in all its communications relating to the fund.
- Funds that have had the Label withdrawn cannot re-apply the following year.

1.6. Communications associated with the Label

Award of the Label includes permission to use a logo displaying the year for which the Label is valid. Use of the logo is free of charge. Applicants that wish to use the Label logo in their fund communications must agree to the terms set out in the “Label Communications Charter”, which include the following:

- Reference to the FNG Label in communications is prohibited without FNG’s consent, except in the case of standard communications as described in the Label Communications Charter. In the latter case, applicants are nonetheless required to inform FNG about such communications.
- If a list of funds includes both labelled and unlabelled funds, it must clearly state which funds have been awarded the Label.
- If a list of funds includes funds with different Label grades, it must clearly state which funds have been awarded which Label grade.
- Under no circumstances may an SRI fund distributor use the FNG Label as a guarantee of the financial performance or security of a labelled fund.
1.7. Liability

By submitting an application, the applicant expressly acknowledges that FNG and Novethic’s interpretation regarding the fund’s compliance with the Label criteria shall prevail. FNG and Novethic shall in no way be held liable if the Label is not awarded or if the awarded Label grade does not meet the applicant’s expectations, irrespective of the reasons given. In particular, FNG and Novethic shall not be liable for repayment of processing fees, as explained in section 1.2 of this document.

By submitting the application documents, the applicant explicitly acknowledges that FNG, Novethic and GNGmbH are not, in awarding the label, making any assertion as to the completeness, accuracy, economic viability or legal compliance of the offer or the investment activities of the mutual fund concerned and that anything to the contrary is neither intended by the applicant or FNG, nor intended to be communicated to the applicant’s investors or investors in the mutual fund concerned. Any liability toward the applicant in this respect on the part of FNG, GNGmbH or Novethic shall be excluded.

1.8. Confidentiality

Novethic and FNG undertake to treat the received documents with the utmost confidentiality. No data, information, documents, etc. will be forwarded to a third party except where the fund provider gives explicit written consent. Members of the Label Committee are exempted from this rule. By participating in the Label award process, the applicant confirms their agreement with this rule. In cases where the fund provider will provide specific confidential data only on the basis of a separate non-disclosure agreement or confidentiality agreement, FNG and Novethic’s research centre undertake to sign such documents.

1.9. Language of proceedings

The language of both oral and written proceedings shall be German (but the entire application and award process can also be conducted in German OR English).
2. Label criteria

2.1. Overview
The Label methodology comprises two audit sections:

a) Minimum requirements
b) Grading model

2.2. Minimum requirements
In order for the Label to be awarded, the applicant has to meet all the criteria in this section.

2.2.1. Eligibility
Sustainably managed mutual funds or equivalent investment vehicles of all asset classes may apply for the Label provided they comply with UCITS or an equivalent standard and they are distributed at least in Germany, Austria, Switzerland or Liechtenstein. Specific regulations can be found in the appendix.

2.2.2. Product standards
The following criteria are mandatory:

- A fully completed and publicly available FNG Sustainability Profile, which is no more than one year old on the date of submission.
- A fully completed (in accordance with the Eurosif guidelines) and publicly available Eurosif Transparency Code declaration, which is no more than one year old on the date of submission. The declaration must clearly, fully and accurately reflect the analysis and selection steps.
- Proof that at least 90% of the portfolio in terms of number of issuers and assets under management has undergone ESG screening (excluding cash holdings). The ESG analyses must clearly show that the applicant screens issuers against environmental AND social AND governance criteria.

2.2.3. Exclusions
Companies:
The applicant has to prove that it has set up effective exclusion procedures for use in its sustainability analysis which enable it to exclude issuers which are active in the following sectors or are in violation of the following principles:

- Manufacturers of controversial weapons (such as cluster bombs, anti-personnel mines, ABC weapons): no turnover threshold.
- Manufacturers of conventional weapons/armaments: a 5% turnover threshold at the issuer level is applied.
- Operators of nuclear power plants and manufacturers of essential components for nuclear power plants: a 5% turnover threshold at the issuer level is applied.
- Violations (in a severe and/or systematic way) of the 10 Key Principles of the UN Global Compact:
  - Human rights: serious and/or systematic violations of human rights. Human rights are defined in the UN Universal Declaration of Human Rights and in the European Union’s Charter of Fundamental Rights.
o **Labour rights**: serious and/or systematic violations of the fundamental conventions of the International Labour Organization (ILO) and their four core principles (freedom of association and the right to collective bargaining, the elimination of forced and compulsory labour, the abolition of child labour and the elimination of discrimination in respect of employment and occupation).

o **Environment**: serious and/or systematic violations of environmental laws and/or large-scale environmental destruction.

o **Bribery and corruption**: serious and/or systematic bribery and/or corruption.

**Countries**:
An applicant invested in government bonds must prove that the portfolio does not contain securities issued by countries to which any of the following apply:

- Countries which are classified as “not free” according to the currently valid Freedom House ranking.
- Countries which have not ratified the UN Convention on Biological Diversity. The criterion “Non-ratification of the Kyoto Protocol” is considered as an equivalent alternative.
- Countries which are among the bottom 40% of countries in the currently valid Transparency International’s Corruption Perceptions Index.
- Countries which are in violation of the Nuclear Non-Proliferation Treaty. The criterion “Possession of Nuclear Weapons” is considered as an equivalent alternative.

Lists of all these countries are publicly available. Links to the relevant lists can be found in the appendix.

With regard to the exclusion of companies as described above, lists demonstrating the quality of the exclusion procedures must be submitted to the auditor. The auditor reserves the right to verify the accuracy of the lists and the exclusion procedures.

### 2.3. Grading model

#### 2.3.1. Scoring system and Label grades
In the “grading model” the applicant is awarded points if it meets the criteria for the sections specified in the table. The compliance of criteria has to be clearly proven in order to be scored. A specific Label grade will be awarded depending on the total percentage achieved. Scores will be rounded at nearest unit.

The allocation of percentages to the different sections is as follows:

<table>
<thead>
<tr>
<th>Section</th>
<th>Maximum score (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional Credibility</td>
<td>10</td>
</tr>
<tr>
<td>Product Standards</td>
<td>20</td>
</tr>
<tr>
<td>Impact</td>
<td></td>
</tr>
<tr>
<td>Selection Strategy</td>
<td>35</td>
</tr>
<tr>
<td>Dialogue Strategy</td>
<td>25*</td>
</tr>
<tr>
<td>ESG Key Performance Indicators</td>
<td>10</td>
</tr>
<tr>
<td>Total score</td>
<td>100</td>
</tr>
</tbody>
</table>

* Depending on the asset class of the fund.

The Label grades awarded are as follows:

**Basic Label**: The basic grade is awarded to applicants which meet all the criteria in the minimum requirements section and achieve a total score of 24,99 per cent or less in the grading model.
One-star Label: The third-highest grade is awarded to applicants which meet all the criteria in the minimum requirements section and achieve a total score of between 25.0 and 49.99 per cent inclusive in the grading model. At least 10 points must be achieved in the “Impact” section.

Two-star Label: The second-highest grade is awarded to applicants which meet all the criteria in the minimum requirements section and achieve a total score of between 50.0 and 69.99 per cent in the grading model.

Three-star Label: The highest grade is awarded to applicants which meet all the criteria in the minimum requirements section and achieve a total score of at least 70.0 per cent in the grading model.¹

2.3.2. Institutional Credibility (10% of the total score)

The audit focuses on sustainability efforts at the fund provider level. The applicant can score up to 10 points in this section. The applicant must demonstrate that it

- has defined a responsible investment policy and reports regularly on this in publicly available documents;
- has established responsible investment on top management level (e.g. responsible investment lays within the responsibility of the board or managing director, Responsible Investment is an own team, RI has an own budget);
- ESG data about issuers are incorporated systematically in all investment processes (for instance, portfolio manager has to achieve a specific minimum ESG score);
- has established company-wide guidelines on how the candidate aims to tackle climate change (for instance, treatment of fossil fuel issuers; portfolio decarbonisation, engagement activities, green product offer, etc);
- has established guidelines on the exclusion of controversial weapons, such as cluster bombs or anti-personnel mines, at company level or draws attention to it in the field of mandates;
- manages a significant proportion of the candidate’s total assets under management according to an SRI approach; the trend of SRI assets under management over the last 12 months will be taken into account and
- engages in responsible investment initiatives.

2.3.3. Product Standards (20% of the total score)

The audit focuses on the quality of the research procedures and of the SRI reporting at fund level. The applicant can score up to 20 points in this section. The following aspects will be assessed:

- **Fund provider’s SRI research process**
  The applicant must demonstrate that
  - He employs a significant amount of experienced SRI/ESG analysts compared to Financial analysts
  - it is delivered by external sustainability agencies (such like oekom, MSCI, ThomsonReuters, Vigeo-Eiris, imug, inrate, Sustainalytics, rfu, etc.)
  - he processes internally ESG data systematically for a high number of issuers of the investment universe (for instance in the field of theme studies, dialogue activities, monitoring of issuer controversies, etc)
  - he has established an advisory committee on sustainability or investment board at fund level.
- **Quality of sustainability analysis**
  The applicant must prove that the sustainability analysis for each type of issuer (company, country, supranational issuer, regional entity) is based on a robust analysis
structure – independent of the issuer’s size. It should be clear how the fund provider integrates specific insights derived of the internal research (results from sector studies, controversy monitoring, engagement activities, innovative SRI approaches) systematically in the final ESG rating of the issuer. The applicant must also ensure that it updates the ESG analysis regularly (in particular the involvement of the issuer in controversial business activities).

- **Reporting on the sustainability performance of the fund**
The applicant must report on the sustainability performance of the fund and/or its issuers at least quarterly, in publicly available fund documents. This information should preferably be included in the conventional financial documents. Information which are only disclosed to institutional investors, will be taken into account, but will be worth only half as many points.²

The use of derivatives will also come under scrutiny. In its Eurosif Transparency Code declaration, the applicant must provide clear, full and accurate information on the type of derivatives used and their strategy. Precise data on the volume, level of exposure and frequency of use of the derivatives should be included in the Eurosif Transparency Code declaration. Up to four points may be deducted for missing or insufficient information.

If in the course of the assessment the suspicion should arise that there has been a serious misuse of derivatives affecting the sustainability character of the fund, the auditor will enter into a dialogue with the applicant in order to discuss the situation in more depth. If the suspicion is confirmed, the auditor will involve the Label Committee. The Label Committee will assess the case and make a recommendation on whether or not the fund is eligible for the Label. FNG will then make a decision based on the committee’s recommendation. In either case, the applicant will be notified of the decision.

Detailed regulation regarding the use of derivatives can be found in the appendix to this document.

### 2.3.4. Impact capacity (70% of the total score)

The audit focuses on the extent to which the fund provider has established internal procedures, systems, guidelines and measures for actively improving the overall sustainability performance of the fund and the issuers. This section is divided into three sub-sections:

1. Selection Strategy
2. Dialogue Strategy
3. ESG Key Performance Indicators

#### 2.3.4.1. Selection Strategy (35% of the total score)

The audit examines all the procedures and systems which fund providers have set up to select issuers which perform well in terms of sustainability and to exclude controversial issuers or activities from the eligible investment universe. At fund level, the following are assessed:

- **Negative/exclusion criteria**
The fund provider must have in place high-quality exclusion procedures which enable it to exclude controversial issuers from its eligible investment universe. The quality of the exclusion procedures is measured by the number and severity of exclusion criteria applied (degree of supply chain, for instance: only exclusion of coal mining, trading or power generation?; as well as revenue threshold). Furthermore the impact (percentage of excluded issuers compared to the starting universe) of these criteria, thus how many controversial issuers or activities are classified as non-eligible comes under scrutiny.

² Exempted are funds which due to their legal status are only offered to institutional clients. In case of legal disclosure hurdles, the applicant has to explain them.
• **Positive criteria**

The fund provider must demonstrate that the scope and quality of internal processes and tools are appropriate for identifying issuers which perform well in terms of sustainability and investing preferentially in these. Depending on the investment approach, the following criteria will be applied:

- **Best-in-Class/Best-of-Class/Best-in-Universe/Best-effort/ESG-Integration:** the issuer’s sustainability performance is expressed in the issuer’s ESG rating. A fund provider must have developed effective tools aimed at investing preferentially in issuers with high ESG ratings.
  - To measure the quality of the process, different systems are positively assessed:
    - **Investment universe construction:** The investment manager is looking for a high ESG portfolio quality by including in the candidate’s eligible investment universe only issuers with the highest ESG rating and discarding titles with low ESG ratings out of the initial investment universe. The higher the selectivity grade among comparable investment universes and asset classes, the better the fund will be evaluated.
    - **Portfolio construction:** The investment manager is looking for a high ESG portfolio quality either by integrating ESG ratings of issuers directly into the portfolio construction process or by outperforming the ESG quality of a benchmark or a reference figure. The more ambitious the ESG ratings in the portfolio construction process have to be, the better the evaluation of the fund.
    - An effective combination of these approaches leading to a higher ESG quality of the portfolio will be positively taken into account.

To measure the ESG impact of the portfolio, the audit will assess the actual ESG quality of the portfolio over the last 12 months. Therefore, historic ESG fund data of the day of submission, 31.03.2017, 31.12.2016 and 30.06.2016 will come under scrutiny.

- **Thematic approach:** under a thematic investment approach, an issuer’s sustainability performance is expressed in the overall impact on sustainability the activity might have.
  - To measure the quality of the process, the audit will examine the applicant’s precise definition of a sustainable activity. In all cases, the applicant must describe how the sustainable activity defined by it contributes to sustainable development. The audit applies a strict definition of sustainable activities. The defined activities are listed in the appendix of this document, that means it will be evaluated which turnover (for impact bonds use of proceeds) exposure an issuer has to demonstrate in order to be investable.
  - To measure the impact of the portfolio, the audit will determine the average turnover (for impact bonds use of proceeds) achieved at portfolio level by all the investments involving the sustainable activity.

**2.3.4.2. Dialogue Strategies (up to 25% of the total score, depending on the asset class)**

The audit focuses on assessing the guidelines and procedures established by fund providers to raise issuers’ awareness of sustainability. The audit will also evaluate what measures have been taken in relation to voting, dialogue or formal engagement processes to improve the sustainability performance of issuers. The following aspects will be assessed:

- **Fund provider’s guidelines for the exercise of voting rights and own practices**
The fund provider must demonstrate that it has drawn up voting guidelines which clearly address sustainability issues. Furthermore, it must demonstrate that it exercises its voting rights in respect of its equity holdings, publishes a voting report and initiates or supports shareholder proposals on sustainability aspects for portfolio holdings. The assignment of voting rights to shareholder alliances or specialized proxy voting agencies will positively taken into account, too. This criterion will not be applied to funds which are not invested in equities.

- **Dialogue with issuers on sustainability aspects**
  The fund provider shall demonstrate that it conducts an active and high-quality dialogue on sustainability aspects with a significant proportion of issuers in its investment universe and that it reports on the outcome of this dialogue in publicly available documents. This criterion will not be applied to sovereign bond funds.

- **Formal engagement processes with issuers**
  The fund provider must demonstrate that it has published – at least on a fund provider level - a policy on formal engagement processes with issuers and that the targets of the engagement processes should be compatible with the fund provider’s sustainability targets. He must report on the outcome of these processes at least once a year. Furthermore, it must provide clear evidence that it initiates or supports collaborative engagement initiatives relating to sustainability aspects and that it conducts formal engagement processes with issuers which have resulted in an improvement in the issuers’ sustainability performance. The results of these engagement activities must be monitored continuously This criterion will not be applied to sovereign bond funds. The applicability to corporate bond funds will be assessed during the audit.

### 2.3.4.3. ESG Key Performance Indicators (KPIs) (10% of the total score)

The audit focuses on the use of ESG Key Performance Indicators by fund providers to measure specific sustainability performance aspects at fund level. The fund provider must demonstrate that it applies an ESG Key Performance Indicator and that it measures this against a benchmark reference. It must explain and provide evidence of the methodological basis on which the measurement was conducted and indicate whether the ESG KPI applied outperforms the benchmark reference. For this criterion, the full points score will only be awarded for publicly available information and data. Data which is not publicly available will be taken into account, but will be worth only half as many points.
Appendix: Exclusions for specific audit sections, fund types and investment approaches

Minimum requirements

Eligibility

The following fund types cannot apply for the Label on account of their specific fund characteristics:

- Structured funds
- Guarantee funds
- Microfinance funds
- Synthetic exchange-traded funds
- Funds of funds

In addition, the following regulations apply:

ETFs are eligible as long as the index construction process is analysed using ESG criteria.

Exclusion of countries:

Rankings and lists which are used as a basis for the exclusion of countries can be found under the following links:

- Ranking of free and non-free countries (Freedom House): [www.freedomhouse.org](http://www.freedomhouse.org)

Grading model

Product Standards section:

Derivatives:

The use of derivatives must be limited to instruments which have a stable leveraging effect and are used to hedge certain market risks.

The fund provider undertakes to provide the following data, where such data is not available in the fund reporting or Eurosif Transparency Code declaration:

- A description of the investment philosophy regarding the use of derivatives
- An explanation of the strategy on the use of derivatives
- A list of the derivatives products used
- A declaration not to use derivatives that would significantly compromise the fund’s sustainability quality;
- An explanation of the potential impact of derivatives use on the fund’s ESG quality.
- Explanations of the volume, level of exposure and frequency of use of derivatives, as shown in the examples below:
  - Futures on interest rates: “The fund management bases its use of derivatives on the German BUND FUTURE in order to mitigate interest rate fluctuations. This affects X% of the fund’s assets.”
o Futures on equity indexes: “The fund management bases its use of derivatives on the X equity index in order to hedge against price falls on equity markets in the selected investment universe. This exposure amounts to a maximum of X% of the fund’s assets.”

o Swaps on interest rates: “The fund management uses swaps on interest rates to mitigate interest rate fluctuations.”

o Put options: “The fund management uses put options on equities in the portfolio, with exposure to these not exceeding the proportion of the portfolio accounted for by the underlying value of the equities, to hedge against an anticipated drop in the equity price.”

Impact section:

Thematic approach:

To define industries that have a strong environmental impact, the FNG label follows the taxonomy of the climate bond initiative (CBI) as long as CBI’s working groups have further defined the industries’ environmental impact. In this regard, the following matrix is applied (see https://www.climatebonds.net/Standards/Taxonomy):

Furthermore, the following industries are classified as sustainable

- Companies financing in their core business activities defined by the Climate Bond initiative (case-by-case review)
- Fair trade
- Sustainable education (Operators of universities)
- Sustainable medicine (generics)

Any issuers which are not active in these industries / thematic areas will not be audited as thematic investments.