



# **Sustainable Investment Guideline**

Version 1.0

July 2025

# Sustainable Investment Guideline

With the approval of the Investment Committee (IC) of fair-finance Asset Management Ltd. (FFAM) and its implementation by the management of fair-finance Asset Management Ltd., this document shall enter into force for an indefinite period.

Malta, July 2025

## Version Log

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# 1 Introduction

Our actions should preserve the life chances of present and future generations and contribute to their improvement.

In accordance with the United Nations' 2030 Agenda for Sustainable Development, we want to make our contribution to fulfilling the 17 Sustainable Development Goals (SDGs) and align ourselves with the five guiding principles of *People, Planet, Prosperity, Peace* and *Partnership*.

To realise these objectives, we at fair-finance Asset Management Ltd ("fair-finance") have developed our "Theory of Change", which we use to identify the potential for ecological and social improvements, and we also use it for our strategic orientation as well as for our operational decisions and actions. This means that we use three impact channels (*Choice, Voice, Noise*) to develop and implement activities, measures and projects that are intended to contribute to sustainable development at a global level.

- **choice:** We have room for manoeuvre and use it to work towards a more socially just and ecologically sustainable world in the best possible way. On a small and large scale.
- **voice:** we engage in constructive dialogue with our stakeholders. We make it clear what we stand for and motivate our partners, clients and suppliers to adopt more sustainable lifestyles and business practices.
- **noise:** By both promoting and demanding fairness, innovation and a sense of purpose, we achieve a social impact. We are pioneers, "tormentors" and drivers for society, politics and business.

All 17 SDGs are addressed and transparently disclosed in the Sustainable Investment Guideline. All criteria are assigned to the respective SDGs. An internal and external perspective enables the best possible consideration of our sustainability approach.



In line with this objective, sustainable asset investments are a key instrument for promoting economic change, environmentally friendly innovations and socially responsible measures.

Investment decisions also focus on security, profitability and the need for liquid assets. An appropriate mix and diversification of assets and the risk-bearing capacity of the assets are taken into account. We are convinced that sustainable behaviour of companies, institutions and countries has a positive impact. Our sustainability approach should not lead to additional costs or higher risks or to performance disadvantages compared to conventional investments.

The aim of this guideline is to eliminate the anonymity of investments of assets in favour of a transparent investment strategy based on a comprehensible catalogue of ethical and ecological criteria. The overriding human, fundamental, labour and environmental rights are specified as far as possible and reasonable. All investments of assets must be ecologically sustainable, ethically and socially just and economically feasible in the long term. Investments that do not fulfil these objectives are excluded.

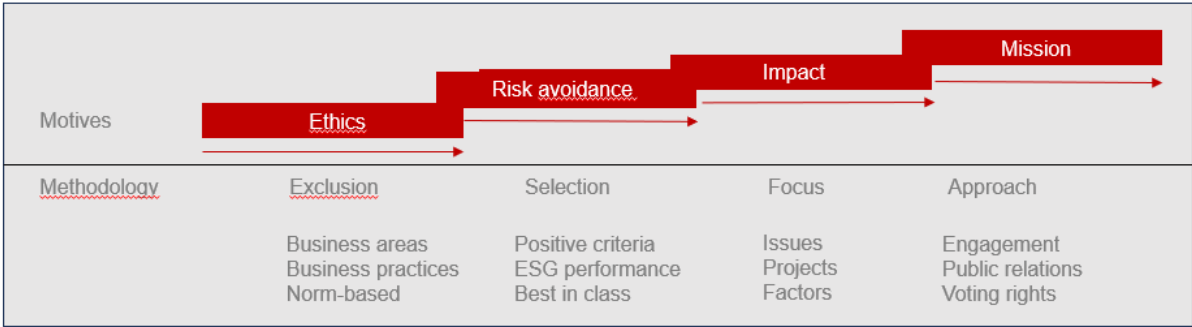
**The investment concept is based on a multi-stage selection and investment process:**

In a first step, investment opportunities are reviewed to determine the extent to which they violate the defined exclusion or negative criteria. If controversial business areas or controversial business practices are affected, an investment is not permitted. In order to minimise systematic earnings risks, such as those arising from the exclusion of entire sectors, negative criteria are only applied where both the definition of the criteria and the database of investment opportunities are clear. If the criteria have not yet been defined or if no valid and meaningful database is available, an investment decision is made by fair-finance in accordance with these guidelines and the values expressed therein.

In the second step, positive criteria (*best-in-class approach*) are used to select investment opportunities that make a significant contribution to sustainable management and achieve their economic success by taking social, ethical and ecological aspects into account. Environmental, social and governance (ESG) criteria are used to identify exemplary companies, institutions and countries that are pioneers in the various dimensions of sustainability and stand out in ecological, social and economic behaviour. The selection ratio after the first and second steps must be less than 50% of the general investment opportunities.

Once investment opportunities have been narrowed down using the negative and best-in-class criteria, opportunities are identified in a third step using performance-relevant qualitative and quantitative financial and extra-financial factors.

Engagement is also a key component of our strategy. By means of a defined approach, we aim to achieve a positive change in individual issuers in particular and the capital market in general over and above our investment activities. By engagement, we mean concrete dialogue with issuers with the aim of demanding and strengthening their ecological, ethical and social responsibility.



## **2 Application of the negative and positive/best-in-class criteria**

### **2.1 Direct investments**

Direct investments (especially in the bond sector) are selected in accordance with the above criteria. In addition to the risk/return analysis, particular attention is paid to financing countries, institutions and companies that fulfil the positive criteria. Issuers are generally selected on the basis of analyses and assessments by suitable research partners and specialised sustainability rating agencies. Securities may only be dedicated for HtM assessment if it has been confirmed that the exclusion criteria are not met and it can be assumed that the relevant issuer will not fall under the exclusion criteria over the remaining term of the security. If, as a result of a portfolio review in accordance with [point 2.4](#), non-compliance with the criteria set out in this Guideline is established, the issuer must be removed from the portfolio within a period to be determined in view of the market situation. In the case of HtM-dedicated securities, an application for cancellation must be submitted to the Financial Market Authority. If the cancellation is prohibited by decision, appeals must be initiated if there is a prospect of success.

### **2.2 Mandates (fair-finance funds)**

fair-finance pursues the objective of awarding mandates (fair-finance funds) for the respective asset classes with an economically justifiable investment volume. When awarding mandates, in addition to the positive and negative criteria, attention is also paid to the partner's fundamental sustainable ethos and corporate philosophy. The fair-finance funds are at least partially accessible to the public.

### **2.3 Mutual funds (external funds)**

For diversification, tactical portfolio optimization or for individual smaller asset classes, fair-finance will also invest in mutual funds (external/third-party funds). In this case, the mutual funds available on the market are analysed and selected according to the following criteria:

- Degree of compliance with the negative and best-in-class criteria in accordance with [Chapter 3](#) and [Chapter 4](#) (divestment in the event of a poor result in accordance with [point 2.4](#))
- Volume and duration of the fund
- Track record (risk/reward analysis)
- Costs (total expense ratio)
- Awards and certificates (in particular the Austrian Ecolabel for Financial Products, "UZ49")

### **2.4 Quarterly review of the portfolio**

Four times a year, a review of the entire portfolio by a sustainability research agency is commissioned. The results of the analysis show the sustainability performance of all issuers listed in the portfolio individually and at fund level and also form the basis for divestment and engagement measures in accordance with [Chapter 6](#).

## 3 Negative criteria







### 3.1 Negative criteria for companies and institutions

fair-finance does not invest in companies and institutions (shares, participations and corporate bonds) that are active in the following areas or account for a significant proportion of turnover. A company or institution is also excluded if it knowingly and wilfully supports another company or institution that violates these criteria or is owned by such a company or institution:

#### 3.1.1 Environmental and climate protection

In line with the *United Nations Global Compact* principles, companies should follow the precautionary principle in dealing with environmental problems, take initiatives to promote greater environmental awareness and accelerate the development and dissemination of environmentally friendly technologies. The following exclusion criteria apply:




##### 3.1.1.1 Biodiversity and ecosystems








EXCLUSION CRITERIA FOR THE SELECTION OF INVESTMENTS		
Criterion	The following are excluded	SDGs
Companies		
Biocides	The production of biocides that are classified as "extremely or highly hazardous" by the WHO is considered an violation.	  
Green Genetic engineering	Green genetic engineering is an exclusion criterion if the proportion of the company's turnover is higher than <ul style="list-style-type: none"> <li>5% for the production, cultivation and direct marketing of genetically engineered organisms or products (e.g. seeds, plants, animals)</li> <li>5% for processing and direct sales of food and animal feed (and raw materials for these).</li> </ul>	  
Peat	Peat is an exclusion criterion if the proportion of the company's turnover is higher than <ul style="list-style-type: none"> <li>5% for exploration, extraction, processing and distribution</li> <li>5% for energy generation</li> <li>30% for the production of core components for the extraction of peat</li> </ul>	







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### 3.1.1.2 Energy

Companies		
Nuclear energy	<p>Nuclear energy is an exclusion criterion if the share of company turnover is higher than</p> <ul style="list-style-type: none"> <li>0% for the construction and operation of nuclear power plants</li> <li>0% for uranium mining, uranium processing and power generation</li> <li>0% for the production and supply of components required for nuclear power generation</li> </ul> <p>Core components</p> <p><i>Dual-use products</i>" are not excluded.</p>	
Natural gas	<p>Natural gas is an exclusion criterion if the share of company sales is higher than</p> <ul style="list-style-type: none"> <li>5% for exploration, extraction, processing and distribution</li> <li>5% for energy generation</li> <li>30% for the production of core components for the extraction of natural gas</li> </ul>	
Crude oil	<p>Crude oil is an exclusion criterion if the share of company sales is higher than</p> <ul style="list-style-type: none"> <li>5% for exploration, extraction, processing and distribution</li> <li>5% for energy generation</li> <li>30% for the production of core components for the extraction of crude oil</li> </ul> <p>If no company turnover is specified, 5% installed capacity is recognised for electricity-generating companies.</p>	

Coal	<p>Coal is an exclusion criterion if the share of company sales is higher than</p> <ul style="list-style-type: none"> <li>• 5% for exploration, extraction, processing and distribution</li> <li>• 5% for energy generation</li> <li>• 30% for the production of core components for the extraction of coal</li> </ul> <p>If companies use coal to generate electricity, but the share of turnover from this is not stated, companies are excluded as a precaution.</p>	  
Controversial raw material extraction	<p>Controversial raw material extraction is an exclusion criterion if the share of company turnover is higher than</p> <ul style="list-style-type: none"> <li>• 5% for companies that mine oil sands or oil shale themselves or as service providers and use processes for processing oil sands</li> <li>• 5% for companies that produce or use fracking technologies themselves or as service providers</li> </ul>	   

### 3.1.1.3 Environmental performance



Companies		
Controversial environmental behaviour	<p>Controversial environmental behaviour is an exclusion criterion if the following statement applies:</p> <p>There is evidence of serious, systematic and/or persistent controversies in connection with environmental and climate protection against companies or their suppliers/subcontractors over the past 3 years.</p> <p>The assessment of the violation depends on the measures taken by the company and a positive evaluation of these.</p>	   

### 3.1.2 Human rights and labour standards


Companies should support and respect the protection of international human rights and international labour standards in accordance with the *United Nations Global Compact* principles and ensure that they are not complicit in human rights or labour standards violations.


Companies are excluded if they themselves or their suppliers have violated the following criteria within the last three years. The assessment of the violation depends on the measures taken by the company, for example immediate changes in the cooperation with suppliers, and a positive evaluation of these.

#### 3.1.2.1 Human rights

Companies		
Human rights	<p>Human rights controversies are an exclusion criterion if the following statement applies: Companies or their suppliers/subcontractors have demonstrably seriously, systematically and/or permanently violated international standards such as the <i>UN Universal Declaration of Human Rights</i> in the last 3 years.</p> <p>The assessment of the violation depends on the measures taken by the company, for example immediate changes in the cooperation with suppliers, and a positive evaluation of these.</p>	
Pornography	<p>Pornography is an exclusion criterion if the share of company turnover is higher than</p> <ul style="list-style-type: none"> <li>• 0% for the production of pornographic products/services or the offering of prostitution</li> <li>• 5% for the distribution of pornographic products/services</li> </ul>	

#### 3.1.2.2 Labour standards


Companies		
Labour Standards	<p>Labour standard controversies constitute an exclusion criterion if companies or their suppliers/subcontractors have demonstrably been involved in serious, systematic and/or permanent labour disputes in the last 3 years.</p> <ul style="list-style-type: none"> <li>• have violated at least one of the four fundamental principles of the <i>ILO Declaration on Fundamental Principles and Rights</i></li> </ul>	





	<p>at Work (freedom of assembly and association, forced labour, child labour, discrimination)</p> <ul style="list-style-type: none"> <li>have systematically circumvented minimum labour standards (e.g. in the areas of health &amp; safety, pay, working hours), even if these do not directly relate to the four ILO core principles mentioned above</li> </ul> <p>The assessment of the violation depends on the measures taken by the company and a positive evaluation of these.</p>	
Child labour	<p>Child labour is an exclusion criterion if the following statement applies:</p> <p>Companies or their suppliers/subcontractors have been proven to be seriously, systematically and/or permanently responsible for supporting or tolerating child labour as defined by UNICEF or ILO in the last 3 years.</p> <p>The assessment of the violation depends on the measures taken by the company and a positive evaluation of these. For example, if companies have programmes against child labour or make immediate changes in their cooperation with suppliers, the company can remain in compliance.</p>	

### 3.1.3 Governance

Companies should ensure responsible corporate behaviour in accordance with the *OECD Guidelines on Multinational Enterprises*, the *United Nations Global Compact Principles* or the *UN Guiding Principles on Business and Human Rights*. The following exclusion criteria apply:

#### 3.1.3.1 Business behaviour

Companies		
Corruption	<p>Corruption is an exclusion criterion if the following statements apply:</p> <p>There is evidence of serious, systematic and/or persistent controversies related to corruption, including extortion and bribery, against companies or their suppliers/subcontractors for the last 3 years.</p> <p>The proven acceptance or demand of bribes or corresponding pecuniary benefits as well as the</p>	






	<p>bribery or attempted bribery of third parties is considered an offence.</p> <p>The assessment of the violation depends on the measures taken by the company and a positive evaluation of these.</p>	
Money laundering	<p>Money laundering is an exclusion criterion if the following statement applies:</p> <p>There is evidence of serious, systematic and/or persistent controversies in connection with money laundering against companies or their suppliers/subcontractors for the last 3 years.</p>	
Tax avoidance	<p>Tax avoidance is an exclusion criterion if the following statement applies: Companies with a tax rate of &lt; 10% in the last 5 years and &lt; 10% in the previous year.</p> <p>Companies that have made losses in the past five years or have negative tax rates, as well as the real estate and financial services sectors and companies from countries that levy little or no tax are not included.</p>	 
Balance sheet fraud	<p>Balance sheet fraud is an exclusion criterion if the following statement applies:</p> <p>There is evidence of serious, systematic and/or persistent controversies against companies or their suppliers/subcontractors in connection with accounting fraud and aiding and abetting accounting fraud in the last 3 years.</p> <p>The assessment of the violation depends on the measures taken by the company and a positive evaluation of these.</p>	
State-affiliated companies from an aggressor country	<p>Companies that have their headquarters in a country that is or has been involved in a "war of aggression" condemned by the UN in the last three years, as well as companies in which the aggressor country holds a stake, are excluded.</p>	
<b>Microfinance investments</b>		

Fund structure	Funds without comprehensible/transparent business management with unreasonably high fees or which in any way demonstrate socially harmful or at least questionable behaviour.	
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### 3.1.3.2 Addiction

Companies		
High-proof alcohol	High-proof alcohol is an exclusion criterion if the share of company turnover is higher than 5% for the production of high-proof alcoholic beverages.	
Gambling	<p>Gambling is an exclusion criterion if the share of company turnover is higher than 5% for providers of controversial gambling activities and products with a high potential for addiction.</p> <p>Operators of state lotteries or competitions are not excluded as a matter of principle.</p>	
Tobacco	<p>Tobacco is an exclusion criterion if the share of company turnover is higher than</p> <ul style="list-style-type: none"> <li>0% for cultivation and production of all types of tobacco products (cigarettes, cigars, separate tobacco, chewing tobacco, liquids for e-cigarettes)</li> <li>5% for trade in all types of tobacco products</li> </ul> <p>Production and trade in components and accessories are not excluded.</p>	

### 3.1.3.3 Science and technology

Companies		
Embryo research	<ul style="list-style-type: none"> <li>Embryo research is an exclusion criterion if the share of company turnover is higher than 0% for companies that have demonstrably specialised directly or indirectly in the following fields or for which there is no evidence to the contrary: <ul style="list-style-type: none"> <li>Consumptive research on the human embryo or on corresponding embryonic stem cells, i.e. the targeted creation of human embryos for the sole purpose of obtaining embryonic stem cells; this excludes research with existing stem cell lines and induced pluripotent stem cells (iPS cells)</li> <li>Gene therapy on germline cells</li> <li>Cloning procedures in the human field</li> </ul> </li> </ul>	 
Animal testing	<p>Animal testing is an exclusion criterion if the proportion of the company's turnover is higher than 0% for tests of consumer goods with live animals carried out for research purposes that involve the risk of causing harm or suffering to animals, unless they are required by law. Animal testing in the context of biomedical research (e.g. for the development of pharmaceuticals) and legally required animal testing in the context of chemical safety tests does not constitute a violation. Tests that are generally not associated with any negative consequences for the animals also do not constitute a violation.</p> <p>A distinction is also made between avoidable and unavoidable animal testing and the company is therefore considered for exclusion accordingly.</p>	 
Outlawed weapons	Outlawed weapons are an exclusion criterion if the share of company turnover is higher than 0% for the development, production of and trade in outlawed or	

	<p>controversial (i.e. defined as prohibited in conventions) weapons<sup>1</sup> and their essential components.</p> <p><i>"Dual-use products"</i> are not excluded.</p>	
Conventional weapons	<p>Conventional weapons are an exclusion criterion if the share of company turnover is higher than</p> <ul style="list-style-type: none"> <li>• 0% for the development and production of and trade in conventional weapons and defence equipment<sup>2</sup></li> <li>• 5% for the production of essential components for the production of these weapons (systems), as well as for other defence equipment</li> <li>• 5% for the production of and trade in armoured vehicles</li> </ul> <p><i>"Dual-use products"</i> are not excluded.</p>	

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<sup>1</sup> In accordance with the *UN Weapons Convention* and the *Rome Statutes of the International Criminal Court*, NBC weapons or CBRN weapons, cluster munitions, cluster bombs, anti-personnel mines, blinding laser weapons, munitions that emit fragments that cannot be detected by X-rays, uranium munitions, incendiary bombs including phosphorus bombs are covered. In addition, white phosphorus is also covered by the exclusions.

<sup>2</sup> According to the War Weapons Control Act:

- Combat aircrafts, combat helicopters, warships, submarines, tanks,
- missile weapons and the associated launchers,
- Handguns (except hunting and sporting weapons),
- Howitzers, land mines, sea mines, high explosive bombs,
- Ammunition that is not listed under banned weapons

The following are also covered:

- Mines and laying systems, radar systems, control software and military transporters



## 3.2 Negative criteria for countries


fair-finance does not invest in countries (government bonds, bonds issued by federal states) that fulfil the following criteria:

### 3.2.1 Environmental and climate protection



In line with the *United Nations Global Compact* principles, countries should follow the precautionary principle in dealing with environmental problems, take initiatives to promote greater environmental awareness and accelerate the development and dissemination of environmentally friendly technologies.

Unless otherwise stated, countries in which violations of the following environmental and climate protection targets have been proven are excluded.


#### 3.2.1.1 Biodiversity and ecosystems

Countries		SDGs
Biodiversity	Biodiversity is an exclusion criterion if the following statement applies: The <i>UN Convention on Biological Diversity</i> and the <i>Washington Convention on International Trade in Endangered Species</i> (CITES) have not been ratified	

#### 3.2.1.2 Energy

Countries		SDGs
Share of nuclear energy in total gross electricity generation	<p>The share of nuclear energy in the gross electricity generation is an exclusion criterion if the following statement applies:</p> <p>According to IAEA, <i>Country Nuclear Profiles</i>, the share of nuclear energy in a country's total energy production is over 10 % or there is no decision to phase out nuclear energy.</p>	
Expansive nuclear energy expansion policy	Expansive nuclear energy expansion policy is an exclusion criterion if the following statement applies: Nuclear power plants are under construction and/or in the planning stage, including decision and timetable.	

### 3.2.1.3 Climate protection and adaptation









Countries		SDGs
Climate protection	Countries are excluded if they have not ratified <i>the Paris Agreement</i> (COP-21). Countries whose per capita emissions exceed 14 tonnes of CO <sub>2</sub> per year are also excluded.	

## 3.2.2 Human rights and labour standards




Countries should ensure compliance with rights and standards relating to democracy, human rights and labour standards, such as the *UN Universal Declaration of Human Rights*, the *fundamental principles of the ILO Declaration on Fundamental Principles and Rights at Work* or the *United Nations Global Compact Principles*.

Unless otherwise stated, countries in which the following offences occurred are therefore excluded:


### 3.2.2.1 Human rights

Countries		SDGs
Human rights	<p>Human rights controversies are an exclusion criterion if one of the following statements applies:</p> <ul style="list-style-type: none"> <li>The country is not sufficiently committed to the 18 international human rights treaties according to OHCHR.</li> <li>The country has seriously, systematically and/or persistently violated international standards such as the <i>UN Universal Declaration of Human Rights</i></li> </ul>	      
Conflicts and wars	Conflicts and wars are an exclusion criterion if the following statement applies: A country is at "war" or "limited war" <sup>3</sup>	


<sup>3</sup> based on the *Conflict Barometer* of the Heidelberg Institute for International Conflict Research. Countries that only violate the exclusion criterion "conflicts and wars" and no other exclusion criteria are additionally analysed under international law. This is intended to ensure that countries that have been forced into a conflict that violates international law are assessed differently to aggressors.

Democracy	<p>Democracy is an exclusion criterion if the following statement applies:</p> <p>A country is excluded if it is categorised as "not free" or "partly free" according to the current <i>Freedom House rating</i>.</p>	
Freedom of the press	<p>Freedom of the press is an exclusion criterion if one of the following statements applies:</p> <ul style="list-style-type: none"> <li>The country has an index score &gt; 35 according to the <i>Freedom of the Press Index</i> by Reporters without Borders</li> <li>The country has a score below 2 (top score 4) in the <i>Freedom House</i> category "Are there free and independent media?"</li> </ul>	
Religious freedom	<p>Religious freedom is an exclusion criterion if the following statement applies:</p> <ul style="list-style-type: none"> <li>The country has a score below 2 (top score 4) in the <i>Freedom in the World</i> category "Are individuals free to practice and express their religious faith or nonbelief in public and private?"</li> </ul>	
Death penalty	<p>The death penalty is an exclusion criterion if the following statement applies: The death penalty has been applied within the last 10 years (e.g. according to <i>Amnesty International, United Nations</i>). Exceptions such as a change of government are possible.</p>	

### 3.2.2.2 Labour standards

Countries		SDGs
Labour standards	<p>Labour standard controversies are an exclusion criterion if one of the following statements applies:</p> <p>A country is found to have serious, systematic and/or persistent non-compliance with at least one of the four fundamental principles of the <i>ILO Declaration on Fundamental Principles and Rights at Work</i> <sup>4</sup></p>	

<sup>4</sup> Participation and anti-discrimination, child labour, freedom of association and collective bargaining, forced labour



	The country is not sufficiently committed to the fundamental principles of the <i>ILO Declaration on Fundamental Principles and Rights at Work</i> on freedom of association, forced labour, discrimination and child labour.	
Child labour	Child labour is an exclusion criterion if the following statement applies: Exploitative child labour as defined by the ILO or UNICEF has been identified for a country.	

### 3.2.3 Governance

Countries should ensure responsible corporate behaviour in accordance with the *OECD Guidelines on Multinational Enterprises*, the *United Nations Global Compact Principles* or the *UN Guiding Principles on Business and Human Rights*.


Countries in which violations of the following governance objectives have been proven are excluded:

#### 3.2.3.1 Responsible governance

Countries		SDGs
Corruption	<p>Corruption is an exclusion criterion if the following statement applies: A country has an index score of less than 50 on <i>Transparency International's Corruption Perception Index</i>.</p> <p>For HtM dedications, an index value of less than 55 will be considered a reason for exclusion from 1 May 2017. Countries with an index value of at least 50 are exempt from this, provided the index value has improved in total over a period of 3 years.</p>	
Money laundering	<p>Money laundering is an exclusion criterion if the following statement applies: A country does not have sufficient standards against money laundering in the last available reporting year.</p> <p>This may be the case if a country appears on the <i>Financial Action Task Force (FATF) blacklist</i> or on the <i>EU</i></p>	


















	<i>list of non-cooperative countries and territories for tax purposes.</i>	
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### 3.2.3.2 Science and technology



















Countries		SDGs
Nuclear Non-Proliferation Treaty	The NPT is an exclusion criterion if the following statement applies: A country is not legally bound by the NPT or is in breach of it.	
Defense budget	Defense/Armaments budget is an exclusion criterion if the following statement applies: A country has a defense/armaments budget that exceeds 3% of GDP on average over the last three years.	

### 3.3 Negative criteria for real estate

The operationalisation of the negative criteria for real estate is carried out in accordance with Annex 1 "Notes on fair-finance-rating sustainable real estate"<sup>5</sup> as amended, whereby fair-finance does not invest in real estate that meets the following criteria:

Real estate		SDGs
Asbestos	The removal or disposal of asbestos-containing materials is not feasible or only feasible with unreasonably high costs	  
Construction, airtightness, Room quality	<ul style="list-style-type: none"> <li>The minimum requirements according to <i>klima:aktiv</i> basic criteria are not met (applies to new buildings and extensively renovated buildings).</li> <li>The minimum requirements according to <i>klima:aktiv</i> basic criteria are not met (only applies to new buildings)</li> </ul>	  
Building ecology	The minimum requirements for the <i>OI3 index</i> of the existing or planned building construction according to <i>klima:aktiv</i> basic criteria are not met. The <i>eco-index 3</i> describes the global warming potential, the acidification potential and the need for non-renewable energy resources for the construction of a building.	  
Lead pipes	The remediation or disposal of materials containing lead is not feasible or only feasible at an unacceptably high cost	  
Energy efficiency	The minimum requirements according to <i>klima:aktiv</i> basic criteria are not met.  (applies to new build properties and extensively refurbished properties)	 
Recording energy consumption		 
Climate-damaging		

<sup>5</sup> Please note that the Annexes and all guidelines and checklists mentioned in this document are currently only available in German.





















Substances		
Summer suitability		 
Economic efficiency calculation		 
Wood preservatives indoors	If wood preservatives are detected indoors, remediation or disposal is not feasible or only feasible at an unacceptably high cost	   
Infrastructure in the neighbourhood	No or less than 2 facilities for basic daily needs and no connection to public transport in the vicinity (<1,000m) or no alternative measures according to <i>klima:aktiv</i> basic criteria fulfilled.	 
Contamination of soil	The remediation or disposal of contaminated soil is not feasible or only feasible at an unacceptably high cost.	   
Noise pollution	The noise immission level at the location is >25 dB above the immission planning guide values according to <i>ÖNORM S 5021</i> (only applies to new buildings)	 
Tenants	Proportion of rental income of the total building from companies or institutions that are excluded according to the negative criteria is more than 10% and the term is longer than 5 years. fair-finance will not conclude or extend any rental agreements with companies or institutions that are excluded according to negative criteria and do not meet legal requirements.	 

## 3.4 Negative criteria for investments

### 3.4.1 Microfinance investments

fair-finance does not invest in microfinance funds whose business conduct is not transparent and comprehensible, which provide for unreasonably high fees for operators and management or which in any way demonstrate socially harmful or at least questionable behaviour.

### 3.4.2 Earmarked investments

Nuclear energy	No new earmarked investments/financing may be made in new projects - relating to activities in the energy generation sector (electricity, heat, process energy) from nuclear fission - that are aimed at expanding the nuclear energy infrastructure.	   
Natural gas	No new earmarked investments/financing may be made in new natural gas projects relating to activities in the natural gas sector (exploration, extraction, processing, distribution, energy production) that are aimed at expanding the natural gas infrastructure. This does not apply to <i>EU taxonomy-aligned</i> economic activities.	     
Crude oil	No new earmarked investments/financing may be made in new unconventional oil projects (shale oil, oil sands, Arctic oil) related to activities in the oil sector (exploration, production, refining, distribution, energy generation) aimed at expanding the oil infrastructure. This does not include economic activities that are <i>EU taxonomy-aligned</i> .	     
Coal	No new earmarked investments/financing in/new coal projects related to activities in the coal sector (exploration, extraction, refining, distribution, power generation) aimed at expanding coal infrastructure may be made.	   



## 4 Best-in-class criteria

fair-finance uses its own fair-finance ESG scoring system. For this purpose, over 200 sub-criteria were defined, weighted by the FFAM Investment Committee and summarised into main criteria via an intermediate level. The main criteria E/S/G are now weighted in a ratio of 30/50/20. This approach leads to the specific ESG criteria of fair-finance being taken into account and also to a stronger weighting of social criteria than is the case with conventional approaches.

















fair-finance ensures compliance with the exclusion criteria and the guidelines for the E, S and G criteria on a quarterly basis using external research agencies on the basis of the calculated full holdings. Differences between the data providers are inherent to the system and must be clarified. Therefore, a quarterly dialogue with the managers regarding the sustainability quality of the selected portfolio has been established, which leads to a continuous improvement in the ESG scoring. This engagement process leads to changes and improvements on the part of the managers and therefore has an impact well beyond fair-finance's own portfolio.













































### A. Best-in-class criteria for companies and institutions




fair-finance invests primarily in companies and institutions (shares, shareholdings and corporate bonds) that make a significant contribution to sustainable management within and outside the company and achieve their economic success while taking social, ethical and ecological aspects into account.

The aim of the best-in-class rating is to identify the most sustainable companies in an industry. The rating assesses how a company is positioned relative to its competitors on its path to sustainability. The following categories are assessed:























#### Environmental protection

Positive criterion	SDGs
Preparation of a life cycle assessment and/or an environmental report	     
Contributions to the protection of endangered species and ecosystems and the conservation of biodiversity	  
Energy-efficient, ecologically compatible energy supply systems that are fed by wind, sun, water, biomass or other renewable energy sources	   
Range of services to reduce energy consumption and increase energy efficiency	  

The company is particularly committed to climate protection and has set itself targets for reducing emissions	  
Utilisation of energy-efficient office and production buildings	  
The company has received certificates for environmentally friendly production or distribution processes during the period under review	     
The company voluntarily provides information on the environmental impact of its business activities	     
Efforts to reduce the consumption of non-renewable resources, to minimise harmful emissions, to extend the service life of products and to improve efficiency of use and recyclability and promote the circular economy.	     
The company uses sustainability criteria (ISO 14000, energy requirements, etc.) when selecting suppliers	  
Significant contributions to active climate protection	
Products, services, technologies and processes that promote sustainable development, in particular environmentally and socially compatible economic activity, as well as energy-efficient, ecologically compatible transport routes	       
Production of agricultural products and healthy food without the use of mineral fertilisers, pesticides and genetically modified animal and plant species, in accordance with the criteria of organic farming or species-appropriate animal husbandry	     
Forest management and timber utilisation with preservation of species and age diversity (FSC standard)	 














Renewal of the global water infrastructure, all types and methods of water extraction (e.g. production and manufacture of drinking water from seawater by seawater desalination plants), water technology (production, monitoring and control of irrigation systems) and water treatment - not only by sewage treatment plants, but rather the treatment of chemically, biologically, atomically or bacterially contaminated water.	  
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## **Social affairs**

Positive criterion	SDGs
The company uses appropriate communication methods to enhance corporate ethics (e.g. whistleblower, ombudsman, suggestion boxes, hotline, newsletter, website, etc.).	   
Production and provision of affordable nursing, care and assistance services	 
Production or provision of services that are particularly tailored to the needs of women and thus suitable for improving their socio-economic position	 
Special support for ethnic or social minorities	 
Preserving the livelihoods and rights of indigenous peoples	 
Financial support for social and cultural projects	       
The company creates training and jobs in its region to a particularly high degree	 

The company is committed to promoting the health and safety of its stakeholders	         
Social or ecological commitment beyond the purpose of the company	
Continuous improvement of the product and service offering beyond the legal requirements and the respective standards of the industry, region or country	 
The company states that it promotes flexible working hours or a good work-life balance. For example, through flexible working concepts or shortened or compressed working weeks.	  
Anchoring of social, environmental and sustainability management systems in the mission statement and strategy as well as internal and external communication of this with clearly defined responsibilities within the company (e.g.: environmental or CSR officer)	
Support for social and environmental organisations	
Research, development, production and distribution of recognised natural remedies and procedures in the special therapeutic fields of anthroposophic medicine, homeopathy, herbal medicine and naturopathy	 
Insurance cover for minorities and the socially disadvantaged	 
The company has set itself targets in relation to diversity and equal opportunities. These include targets to promote women, minorities, people with disabilities and employment regardless of age, ethnicity, nationality and religion.	   

## Governance

Positive criterion	SDGs
Transparent handling and complete clarification of allegations in connection with corruption, accounting fraud, competition violations (e.g. price fixing, antitrust law) and other legally relevant suspicions (e.g. fraud, insider trading, money laundering, environmental offences, massive labour law violations)	
Measures to prevent corruption	
Personal stability and long-term leadership and industry experience in top management	 
Supervisory and control bodies can gain insight into and influence all relevant processes at any time	 
The majority of the Supervisory Board is independent in its decisions	
The remuneration policy of the Management Board and Supervisory Board is geared towards the long-term success of the company	 
Management remuneration is linked to the achievement of CSR/health & safety/sustainability targets.	 
The most important owners have a long-term commitment and are actively involved in company policy	
The company employs an external auditor for CSR/health & safety/sustainability reports. External audits of the company's CSR and sustainability data and reports on extra-financial information in the form of a review by e.g. an academic institution or external bodies, externally audited web-based CSR reports and integrated annual reports with externally audited sections on CSR and sustainability data are taken into account.	





## B. Best-in-class criteria for countries

fair-finance invests primarily in countries (government bonds, bonds issued by federal states) whose policies and influence make a significant contribution to achieving sustainable goals both nationally and internationally and in whose society social, ecological and cultural aspects are highly valued in an international comparison. The assessment is based on the following exemplary criteria:

### 4.1.1 Engagement of countries in solving global problems

Financing of funding programmes and collaboration on the following international issues (list of examples):




Positive criterion	SDGs
Primary education for all people	  
Gender equality and empowerment of women	
Reduction of infant mortality	  
Maternal health	 
Sustainability in environmental policy	       
Containment and reduction of environmental pollution, climate protection	       

Proven reduction in CO <sub>2</sub> emissions to achieve the climate target of well below 2 degrees Celsius	
Poverty reduction through support for the health and education systems	
Food security and sustainable rural development	
Institutional capacity building for good governance and the rule of law	

#### 4.1.2 Social commitment

See: [Positive criteria for companies and institutions.](#)

#### 4.1.3 Social justice

Positive criterion	SDGs
Equal opportunities: The policy is geared towards providing people with equal opportunities and possibilities to participate in economic and social life and to realise their own potential.	
Procedural fairness: The state procedures used do not create injustice due to the equal treatment of all.	
Distributive justice: The distribution (in particular the distribution of wealth and income) should be fair as a result. This primarily concerns the granting of social benefits, economic redistribution by means of taxes (tax progression) and transfer payments.	

#### 4.1.4 Sustainable management of the countries (authorities and associated companies)

Environmentally orientated public procurement



#### 4.1.5 Extensive anchoring of the objective of the negative criteria in national legislation
















## 5 Impact investments or Alternative investments

Investments in companies, countries, real estate as well as loans and credits to the same are regarded as alternative investments, provided that the individual investments, loans or credits cannot be individually verified with regard to their sustainability within the meaning of this guideline. Alternative investments therefore include thematic funds, the private equity asset class and private debt. Priority is given to investments that focus on specific social and ecological change, such as reforestation, alternative energy, care properties, social business investments, etc.

















### 5.1 Real estate








fair-finance invests primarily in properties that fulfil high environmental and social standards. The preservation and renovation of existing buildings is favoured over new construction, with a focus on residential and social properties such as care homes, schools or student and social housing. In addition, fair-finance endeavours to continuously improve the sustainability of the properties it invests in.

Residential properties are assessed on the basis of the following criteria, the operationalisation and assessment of which is documented in the guideline "Explanations fair-finance-rating sustainable properties" as amended:

Positive criterion	SDGs
Good infrastructure in the neighbourhood	 
High overall energy efficiency and low global warming potential	 
High energy quality of the building envelope and opportunities for sustainable refurbishment	  
High proportion of renewable energy	  
Good ecological assessment of building materials and constructions	    



Good quality and low indoor air pollution	
Avoidance of critical or problematic substances or contaminated sites	     
Consideration of the entire life cycle and good disposal properties	     
Low or no hazards from natural hazards and immissions	
Low noise pollution	 
High mobility for residents (bicycle parking spaces, infrastructure in the neighbourhood)	 
Barrier-free access to the flats	  
Good third-party usability	  
Supporting residents in avoiding negative environmental impacts (reduction of energy and water consumption, waste separation and subsequent recycling of waste)	   

Avoidance of negative environmental influences. Minimisation of soil sealing. Measures to prevent overheating and improve the microclimate. Strengthening green spaces and biodiversity.	   
Observance of ethical principles (corporate governance) and high transparency	
Consideration of affordability and long-term utilisation prospects (e.g. minimisation of fixed-term rental contracts)	 

The requirements for small residential properties (detached and semi-detached houses) are set out in the form of a checklist in the document "fair-finance requirements for sustainable real estate detached and semi-detached houses" as amended and represent the minimum standard that must be met by these properties in any case.

### Lending for property projects

Property loans are granted exclusively in compliance with the fair-finance minimum standards in accordance with the document "fair-finance requirements for sustainable lending as amended". A sustainability performance of  $\leq 3.7$  (silver) and  $\leq 3.0$  (gold) in the fair-finance sustainability rating that exceeds the minimum standards in accordance with the document "fair-finance rating of sustainable real estate as amended" is honoured with a corresponding reduction in the interest rate on the loan.

Compliance with the minimum standards and any agreed sustainability performance must be verified by fair-finance. If the agreed sustainability performance and any agreed sustainability targets are not met, the loan agreement must be cancelled and the loan must be called in or a penalty/lump-sum compensation must be paid. These provisions must be defined in the loan agreement.

## **5.2 Private equity, private debt and the like**

Fund investments with an equity character (private equity, venture capital, etc.), creditor character (private debt), hybrid solutions and theme-specific funds (infrastructure, renewable energy, etc.) are primarily made to funds that select their portfolio companies or investments (in addition to the corresponding financial return expectations) on the basis of social or ecological impact. Preference is given to those funds or strategies that explicitly follow the "do good" principle or can demonstrate effective impact according to recognised scientific methods. Funds that follow the impact-compatible impact (difficult/not verifiable) or the "do no harm" principle or have corresponding exclusion criteria and are clearly related to sustainability are in principle also possible for new investments. Since the entry into force of the Sustainable Finance Disclosure Regulation (EU) 2019/2088 (SFDR), investments may no longer be made in any Art. 6 SFDR funds - the fund must at least comply with Art. 8 or at best Art. 9 SFDR in the self-assessment carried out by the management.

### 5.3 Direct investments and mezzanine loans

Direct investments and mezzanine loans to private companies in the early or growth phase are primarily made in or to companies that have a social or ecological mission as their corporate purpose. The assessment of the potential impact is essential for decisions in all phases of the investment process:

- **Investment phase:** The assessment of the company's impact potential is a central part of the analysis, due diligence and decision in the course of the investment process. In the specific case of the Social Entrepreneurship Fund (SEF), the impact potential of investment candidates was also assessed at the beginning of the investment process by an independent "Impact Advisory Board" on the basis of a formal voting process and represented a knock-out criterion for the further investment process.
- **Investment phase:** Impact measurement and management during the investment phase are based on international guidelines and best practices for impact investing. Based on a theory of change (impact model) of the respective company, impact targets are defined and their achievement is measured over the term of the investment. In addition, key figures are collected for general impact topics (beneficiaries, jobs, CO<sub>2</sub> footprint). Impact targets and indicators can be aggregated for portfolios. Where possible, impact targets and indicators are mapped as SDGs or SDG indicators.
- **Divestment phase:** In the divestment phase, additional sustainability criteria are applied when selecting potential buyers of the direct investments held by fair-finance. A potential buyer must fulfil the requirements of the Sustainable Investment Guidelines of fair-finance as amended. As part of the sale of direct investments and the end of the term of a mezzanine loan, the impact of the investment is analysed and assessed over the entire term.

The operationalisation and evaluation of the criteria for assessing direct investments and mezzanine loans is documented in the "fair-finance impact measurement and management" guideline as amended.

### 5.4 Microfinance investments

fair-finance invests primarily in microfinance funds that fulfil high transparency standards and deliver an above-average sustainability performance, which is expressed by the fact that investments are made in favour of poor households in developing and emerging countries, attention is paid to sustainable business models and sustainable legal forms/regulations, fair treatment of customers is maintained and appropriate remuneration is paid to owners, operators and management.

A microfinance scoring system developed by fair-finance is used to assess sustainability performance, in particular social impact.

The scoring system can be found in the document "fair-finance microfinance scoring as amended".

The following minimum criteria must be fulfilled and must not have a value of 0 in the evaluation:



- Indication of the Sustainable Development Goals (SDGs)
- Guidelines for microfinance institutions (MFIs) on the responsible treatment of end clients (client protection principles)
- Regular on-site audits (at least every 2 years) of microfinance institutions (MFIs)
- On-site training for MFI staff and/or sub-borrowers
- Women's quota of at least 45 % or focus on explicit sustainability topics


- Regular reporting of sustainability performance in the form of an impact report

## 5.5 Factors for companies



















The factors for companies are indicators that make it possible to identify particularly competitive companies. These are relevant for the selection of companies from a risk and return perspective, but are not a mandatory criterion.

### Human Capital




Criterion	SDGs
Commitment to employees to harmonise work and family life	
Special promotion of women	
Responsibility for the creation of training and jobs	 
Special measures for health and safety in the workplace	
Anchoring opportunities for co-determination	
Above-average range of further training opportunities	
Special social benefits that go beyond regulatory requirements	
Democratic corporate structures, social or emancipatory working conditions and targeted reduction of discrimination	   
Long-term staff loyalty to the company	
Above-average employee satisfaction	



Long-term investment in the improvement of human capital	
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## External stakeholders




Criterion	SDGs
Products or services that contribute to poverty reduction and economic and social development, particularly in developing countries	  
"Fair" prices for producers, socially acceptable alternatives to child labour, payment of appropriate wages, reinvestment of profits locally, appointing people from the respective region to management positions and avoiding the substitution of local products	     
Compliance with human rights along the entire value chain is ensured	      
Cooperation with undemocratic governments is minimised	 

## Image & Brand




Criterion	SDGs
Focus on the long-term development of the company's reputation	
Investments in sporting and cultural projects	
Above-average communication with end consumers to improve product and service quality	

Awards for high product and service quality, sustainability and social commitment	
Preparation and publication of standardised sustainability reporting	

## **Risk Management**

Criterion	SDGs
Key figures of the fundamental company valuation such as the price/earnings ratio, price/book value ratio, price/cash flow ratio or enterprise value/EBIT ratio, which indicate stability and the achievement of return targets	
Operating assets are sufficiently financed with equity and the company's growth can be financed in the long term	
The settlement of liabilities due at any time is ensured	
The company pays a stable dividend that does not jeopardise its long-term internal financing power	
Independent control bodies monitor compliance with investment guidelines and business practices	
The company is diversified and its presence in high-risk business areas and markets is low	
A large proportion of the income generated is in the form of actual cash payments and not in the form of receivables from customers.	
Transparency and conservative financing policy for the investment of employee pensions	

## **Innovation Capital**

Criterion	SDGs
The company is prepared to invest in internal and/or external research and development of environmentally sustainable technologies	  

Consistently high number of patent applications in the area of sustainability



## 6 Commitment

### 6.1 General dialogue

fair-finance is in direct contact with numerous Austrian capital market-relevant companies and A-customers (over 1000 employees). In personal discussions, the sustainability priorities and the approach with regard to the environment, social issues and corporate social responsibility (ESG) are clearly presented and this commitment is enforced.

The main aim of these discussions is to explain fair-finance's investment guidelines to those responsible in the companies and, in particular, to explain the investment process and the underlying investment criteria.

### 6.2 Violations of exclusion criteria and poor sustainability performance

If violations of exclusion criteria for direct investments and mandates are identified in the course of a portfolio review in accordance with section 2 point 2.4 and this finding is confirmed after review, the divestment process must be initiated.

If the issuer is a company, it will be informed of the divestment and the reasons for it. The issuer is requested to take appropriate measures to eliminate the reason for exclusion and is invited to report on the implementation of these measures. A renewed investment is promised if the reason or reasons for exclusion are successfully eliminated.

If breaches of exclusion criteria are identified for third-party funds in the course of a portfolio review in accordance with section 2 point 2.4 , the fund manager is asked to comment and improve the portfolio and invited to report on the implementation of any measures. If the sustainability performance of the third-party fund is also poor, a possible divestment is announced and the prospect of a new investment is held out in the event of a subsequent improvement in sustainability performance.

If the sustainability performance agreed in the loan agreement is not met, a process is initiated in accordance with section 5 point A.

### 6.3 Support for third-party engagement activities

fair-finance is an active member of the "Shareholders for Change" (SFC) network and generally participates in the joint engagement activities of this network.

If grievances or conflicts regarding ecological, ethical and social values are highlighted by organisations such as CRIC (Corporate Responsibility Interface Center - a platform for the promotion of ethics and sustainability in financial investments) or other sustainable investors

and fair-finance is invited to participate in joint engagement activities, fair-finance has a positive and open attitude towards this.

The support includes the publication of the identified grievance and the engagement activity in fair-finance media and the initiation of a dialogue to get the company, country or institution to give in and improve the sustainability situation.

#### **6.4 Exercise of voting rights**

Securities (shares) with voting rights are not held directly by fair-finance. Such securities are held in fiduciary ownership by investment companies, which are therefore legally entitled to exercise voting rights. For this reason, fair-finance does not exercise any voting rights directly, but rather in the form of proxy voting via the respective investment company, which exercises its voting rights in accordance with the policy and country-specific guidelines of the provider selected by it.



## 7 References

The documents listed here are only available in German until further notice.

- 7.1 Explanations fair-finance-rating sustainable real estate as amended.**
- 7.2 fair-finance requirements for sustainable properties detached and semi-detached houses as amended.**
- 7.3 fair-finance requirements for sustainable lending as amended.**
- 7.4 fair-finance microfinance scoring as amended.**