

*Finance Impact Research
Sustainability Transparency*



FNG-Label

for sustainable investment funds and similar products



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Rules of Procedure 2026

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Changes compared to last year and additional notes (NO content-related changes)

To give applicants even **more time to submit their applications**, this year's **application phase will begin on 03 March and end on 09 October** (with the **review and evaluation period concluding on 06 November**).

→ This accommodates those who have requested **greater flexibility** and provides **more time for submitting an application**.

Thanks to the structural and content-related adjustments introduced last year, the intended **efficiency gains** in the FNG-Label **application process** can now fully take effect. In particular, the comprehensive reintroduction of the referencing option helps to significantly reduce the required effort.

→ Overall, this should result in a substantial **simplification** and **time saving** this year, and therefore in a **lower workload** for applicants.

To offer applicants **additional opportunities for targeted visibility** in connection with their individual award, **early communication will again be possible this year: as soon as the final assessment report has been approved** by the FNG-Label Committee, awarded products may be **communicated** immediately in connection with the **FNG-Label**.¹ Thanks to the Committee's support, this has already been possible on an ongoing monthly basis since last year. This early communication option allows applicants to **highlight their awarded products in a more targeted and exclusive way**. In addition, attention will be drawn to the FNG Label at selected times throughout the year.

Against the backdrop of the Level-1 discussions now beginning on the EU Commission's proposal for SFDR 2.0² and considering the clear feedback from our small stakeholder consultation³ last autumn, **both the established FNG Label 2027 and the new FNG Label Transition 2027 (i.e., this year's application round) will remain unchanged**.

Regarding the "FNG Label Sustainable" mentioned at the last award ceremony, we will keep you informed as soon as further details become available. This applies in particular to the three product categories proposed in the SFDR revision, as well as to the first-time regulatory reference to voluntary SRI labels as an instrument for highlighting best practices.

¹ After preparation of the preliminary assessment report, it will be sent to the FNG-Label Committee. If there are no questions or only questions that can be clarified quickly, it will be approved as the final assessment report by the following month.

² Practical implementation is expected to begin only from 2028 onwards as part of Level-2 implementation measures.

³ See page 5.

Overview of the FNG-Labels

The established FNG-Label has been expanded to include an FNG-Label Transition last year. The following table provides an overview of the most important characteristics of both labels.

Table 1: Overview of the two FNG-Labels⁴

| | FNG-Label | FNG-Label Transition |
|--|---|--|
| Logo |  certified by AIR |  certified by AIR |
| Sustainability-related objectives⁵ | 1. Value-oriented 2. Management of ESG risk and opportunities 3. Sustainable investments (SFDR/EU taxonomy) | Transition |
| Minimum exclusions | Established FNG-Labels minimum exclusions | CTB exclusions ⁶ + conventional weapons (= overall same weapons exclusion for both labels) |
| Minimum threshold | 100% exclusions | 100% exclusions 80% transition approach |
| Grading model | 0-3 stars | 0-3 stars |

Structure: The familiar structure remains the same for both labels:

- **Minimum standard and grading model:** Both labels continue to be based on a binding minimum standard ("mandatory") with minimum exclusions, and a grading model ("optional") with up to three stars.
- **Questionnaire as a basis:** The differentiation between the two labels is still made based on one detailed questionnaire.

⁴ For detailed information on the individual characteristics – such as sustainability-related objectives, minimum thresholds, etc. – please refer to Chapter 2.4 et seq.

⁵ These objectives can be implemented via the familiar SRI investment styles, such as exclusions, best-in/of-class, thematic approaches, engagement, etc.

⁶ These company exclusions include all activities in connection with controversial weapons, cultivation and production of tobacco and violations of the UNGC principles or OECD guidelines (see https://www.esma.europa.eu/sites/default/files/2024-08/ESMA34-1592494965-657_Guidelines_on_funds_names_using_ESG_or_sustainability_related_terms.pdf in connection with <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R1818>). See chapter 2.4.2 for details on the exclusion criteria for the FNG-Label Transition.

Investment strategies:

- **FNG-Label:** As before, the established FNG-Label evaluates various sustainability-related investment strategies. These include products that implement exclusions, best-in/of-class approaches, thematic investments, engagement approaches, or sustainable investments in accordance with the SFDR or EU taxonomy, for example.
- **FNG-Label Transition:** The new FNG-Label Transition only evaluates products that pursue a sustainable transition strategy.

Minimum exclusions:

- **FNG-Label:** The existing minimum exclusions of the established FNG-Label remain as before.
- **FNG-Label Transition:** In the new FNG-Label Transition, the CTB exclusions, as defined in the ESMA Guidelines on funds' names, are required as minimum exclusions. In addition, the production of conventional weapons and their essential components is introduced as a minimum exclusion. With regard to weapons, thus, the same minimum exclusion applies as for the established FNG-Label

Results of the small stakeholder survey from autumn 2025

In addition, stakeholders were actively involved in the further development of these SRI quality standards through a survey conducted in autumn 2025. The results – particularly regarding the existing minimum exclusions – confirm the current strategic direction.

A clear majority of participants (83 percent) supported maintaining the existing exclusion criterion for conventional weapons. Opinions were more mixed regarding additional exclusions in the area of fossil energy: 42 percent of respondents favored expanding the exclusion criteria. The proposed approaches – with varying revenue and CapEx tolerance levels – ranged from PAB exclusions to the exclusion of new oil and gas exploration, fossil-fuel-based power generation, and certain non-conventional extraction methods. At the same time, 58 percent of participants advocated retaining the current approach. The established FNG-Label 2027 follows this majority view.

Against the backdrop of the potential introduction of new product categories as part of the SFDR review – and the broader adjustments already required in the sustainable investment landscape, as well as the highly likely alignment of sustainability preference assessments under MiFID II and IDD with the reform of the Disclosure Regulation – we will carefully assess the need for possible further developments. Our objective remains unchanged: to consistently uphold the standards of the FNG-Labels and to continue positioning them as a reliable point of reference in the market.

Preamble

The FNG has been the professional association for sustainable investments in German-speaking countries (Germany, Austria, and Switzerland) since 2001. Its approximately 200 members include banks, investment companies, rating agencies, financial advisors, scientific institutions, insurance companies, NGOs, and private individuals. The association is also a founding member of the European umbrella organization EUROSIF.

One of its objectives is to further develop and continuously improve quality standards for sustainable investment products in order to safeguard the quality of sustainable investments.

In this context, together with its members and additional stakeholders, FNG has developed a quality label for sustainable investment funds and similar products. The well-established FNG-Label, launched in 2015 after a three-year development process, recognizes, together with the FNG-Label Transition introduced in 2025, high-quality sustainability funds and comparable financial products that professionally and credibly pursue a wide range of investment styles with sustainability-related objectives (e.g., values-based approaches, management of ESG opportunities and risks, sustainable investments in line with SFDR or the EU Taxonomy, or transition strategies). The associated sustainability certification must be renewed annually. The [FNG-Labels](#) represent the SRI quality standards in the German-speaking financial market.

The independent review and assessment work is carried out by the non-profit scientific association F.I.R.S.T., in cooperation with the university spin-off Advanced Impact Research GmbH (AIR), under the scientific advisory board of Prof. Dr. Timo Busch from the University of Hamburg. F.I.R.S.T. bears primary responsibility, particularly for coordination, awarding, and marketing of the FNG Labels. AIR conducts the actual review and evaluation activities, including the analysis of relevant regulatory frameworks and additional research.

1. Label award terms and conditions

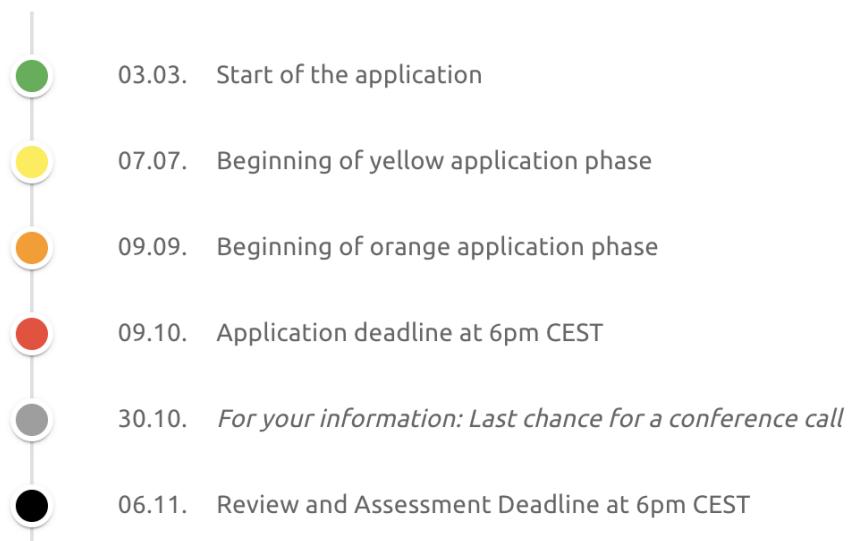
1.1 Label award procedure

The FNG-Labels are awarded once a year. The results are announced in the fourth quarter of the year and officially communicated (also externally) at an award ceremony for all Labels - usually in mid-December. The FNG-Labels are valid from the time of the award ceremony until the end of the following calendar year, provided that the product meets the respective criteria, even if a subsequent inspection is possible at any time. The Label award procedures consist of the following steps:

- **Pre-Screening**: Starting this year, product providers can have a pre-screening carried out before submitting a complete application. The assessment team will use the most important criteria of the minimum requirements and a screening of the portfolio to check which of the two FNG-Labels best suits the applied product and whether controversial securities are included in the portfolio. The pre-screening is carried out using the familiar online tool. If product providers decide to apply for a label after the pre-screening, the information provided in the pre-screening can be automatically adopted for the label application. The results of the pre-screening serve as a helpful basis for deciding which label a product should be applied for.
- **Call for applications**: Applicants who have indicated their willingness to participate to F.I.R.S.T. will be granted access to the online tool with the agreed number of products. Application information will also be provided by F.I.R.S.T. to applicants upon request. Applying for one of the FNG Labels is not linked to membership in FNG e.V.
- **Application for the respective FNG-Label**: The application for one of the FNG-Labels (established FNG-Label or FNG-Label Transition) is submitted within one questionnaire. This means that NO different questionnaires have to be filled out for the respective FNG-Labels. This makes it possible to opt for a pre-screening per product (before applying for the minimum requirements (and grading model)). For more information, please refer to 2.3 Pre-Screening.
- **Application process**: The complete application must be initially completed and submitted online for each label award round. This includes the minimum requirements and, if you are also applying for the grading model, information on the criteria for the grading model. The assessment team processes the applications in the order in which they are received. Generally, the grading model is only processed once the minimum requirements have been completed (including feedback loops).
- **Review and assessment process**:

Current review and assessment period:

Important Deadlines



Information and documents (in the online tool) sent by applicants must be fully valid at the time of submission. **The central element of the application is the provision of information in the online tool by the applicants.** The review and assessment work is carried out exclusively based on written information. Any verbal explanations in the context of personal interviews or telephone calls must be documented in minutes. The contents of the telephone conference offered as part of the review and assessment process are summarized in minutes by the assessment team and uploaded to the online tool.

Feedback on minimum requirements: Applicants receive feedback on the minimum requirements of the labels via the online tool for the individual criteria. Applicants can respond directly there. In general, an applicant's minimum requirements are reviewed before the grading model criteria. Careful completion of the minimum requirements and prompt feedback from the assessment team's feedback accelerate the start of the grading model review.

Feedback on the grading model: Feedback on the grading model is provided to applicants via the online tool collectively on all products (these can also be downloaded as a csv file). Feedback on the corresponding product criteria is collected there. Applicants can choose to book a telephone conference with the review and assessment team online. One telephone conference can be booked per applicant. However, there is no entitlement to a telephone conference. The results of the telephone call are transferred to the online tool based on a protocol.

Applications are always processed on a first-come, first-served basis. This means that earlier applications are processed first. The same applies to responses/feedback. The more responsive the reaction to the feedback from the assessment team is, the quicker/more targeted the review will be, and the sooner the conference call can be scheduled. Conversely, this means that long response times, very late responses, or documents submitted late can no longer be processed in the usual feedback loops due to a lack of time. This applies to all application phases (**green, yellow, and orange application phases; see above**).

- **Green application phase:** 03.03. to 07.07.
- **Yellow application phase:** 07.07. to 09.09.
- **Orange application phase:** 09.09. to 09.10.

It is recommended that interested organisations **apply during the green application phase**, as this is the phase in which the regular "run-through" of the review and assessment process with intensive feedback is most assured. In this phase, the assessment team also assumes that there is a choice of several dates for a telephone conference.

During the **yellow application phase**, **feedback** may be **shortened**, and the **dates for a telephone conference may be limited**, or no suitable dates can be found.

Interested parties can still **apply during the orange application phase**, but feedback loops will likely have to be **reduced** during this phase due to the time that has passed. There is also a **high probability that it will no longer be possible to find suitable dates for a telephone conference**.

In principle: **If no telephone conference is desired, or no suitable date can be found, the answers and further documents can be submitted in writing.**

- **Review and assessment deadline:** Please note that the possibility to submit further information and documents will end on 06.11.2026, 6 pm CEST. The assessment team will not accept any new information or queries after this time.

Application of minimum requirements and grading model: In principle, a product can either only apply for the minimum requirements or also for the additional grading model (for which passing the minimum requirements of the respective label is a prerequisite). The application deadline refers to the full completion of the online questionnaire in the online tool (minimum requirements AND grading model, (if also applied for), including the submission of all documents)). **For a successful submission, the application of the minimum requirements and the grading model must be made by clicking the button at the bottom of the respective page ("finish editing and send to the assessment team for approval") in the online tool.** The minimum requirements must be passed in full for the respective FNG-Label to be awarded as such (without stars or grading model review). Without passing the minimum requirements, it is not possible to award stars. The schedule for awarding the label in 2025 is as follows:

| | | |
|---|-------------------------------|--|
| Start of the application period: | 03.03.2026 | |
| Start of yellow application phase: | 07.07.2026 | |
| Start of orange application phase: | 09.09.2026 | |
| Application deadline: | 09.10.2026 | |
| Review and evaluation deadline: | 06.11.2026 (6 pm CEST) | |

Announcement and awarding of the labels to the award-winning products: Award ceremony 10.12.2025 in Frankfurt a.M.

Announcement of the FNG-Label award by applicants: **As soon as the final (not the preliminary) assessment report** is available, awarded products may be communicated immediately in connection with the **FNG-Label**.⁷

Note: As shown in the review and assessment process, the last opportunity to provide feedback to the assessment team is 06.11.2026 by 6 pm CEST

⁷ For further details see chapter „Changes compared to last year and additional notes (NO content-related changes)“ p. 2.

1.2 Processing fees

F.I.R.S.T. charges the following processing fee (net), payable within 14 days after issuing the invoice. In the case of a German billing address, the reduced VAT rate of 7 percent for non-profit associations applies.

- EUR 6,000 per product for new product providers applying for the minimum requirements and the grading model
- Discount for product providers,
 - who have applied for a label in recent years;
 - who apply for a label with at least four products.

The review and assessment work is included in the processing fee.

Applications for the respective FNG-Label 2027/2028/2029 etc. are always submitted annually.

Applicants who are "only" interested in an FNG-Label as such can also apply in the first step only for checking the minimum requirements (the mandatory part, without the voluntary part, i.e., grading model to obtain the stars), which would lead to the award of the FNG-Label if passed. In this case, the costs for a single product for the first year are EUR 3,900 for newly applying product providers.

An optional pre-screening will again be offered this year at a fee of EUR 700 per product. In the event of a subsequent application for one of the FNG-Labels (minimum requirements with or without grading model), the pre-assessment processing fee (EUR 700) per product will be credited toward the later application by deducting it from the processing fees listed above. As a result, this pre-assessment does not generate any additional costs if an application for an FNG-Label is ultimately submitted.

As in the previous year, the processing fees also include the costs for the FNG sustainability profile. Therefore, no separate invoice will be issued by FNG.

Applicants must pay the processing fee for the product in question to be reviewed and assessed. These fees are non-refundable if no label is awarded, or if, in the view of the applicant, the label grade awarded to the product is subject to a different assessment. The fees are charged to cover all expenses in connection with the review and assessment work, the research, the regular further developments, and all other expenses for the administration and to increase the market penetration of the FNG-Labels (marketing & promotion on our part, incl. placement in product & fund databases, with insurance companies, funds of funds and other fund selectors, participation in congresses & trade fairs, other events). They are in no way to be understood as payment for receiving a label. By accepting the offer for new products in the online tool, applicants accept the rules of procedure and thus also the fees. Furthermore, there are no hidden costs, license models, or the like. In other words, all costs are covered by the invoice when the application is submitted.

1.3 Label Stakeholders

1.3.1 Label Committee

The FNG-Label Committee represents investors, civil society, academia, churches, and NGOs from the FNG countries Germany, Austria, and Switzerland. It takes on an advisory and supervisory role, underpins the label concept through its independent expertise, and contributes to its development. The Committee's tasks include reviewing the award of the labels, advising on the further development of the methodology, and drawing up recommendations regarding dealing with complaints and complex or difficult cases.

1.3.2 Label Advisory Board

The [FNG-Label Advisory Board](#) - consisting of board members and assessors of the FNG and those responsible at F.I.R.S.T. and AIR - deals with the positioning of the labels on current conditions, such as regulatory requirements, the identification of potential for improvement,

and the associated opportunities for further development of the labels. Consultation on the adaptation of the rules of procedure before they are approved by the FNG-Label Committee is also one of the topics dealt with by the Board.

1.4 Compliance monitoring

The assessment team reserves the right to verify at any time whether the products awarded one of the labels continue to meet the respective label award conditions. If any characteristics change, applicants are requested to report these changes immediately. In this case, it will be assessed whether the product still fulfills the respective label conditions.

Applicants must comply with all requests from the assessment team or F.I.R.S.T. to provide additional information and documents to ensure fulfillment of the respective label criteria. In return, the assessment team and F.I.R.S.T. are obliged to treat any information that has not (yet) been made public by the applicants as confidential. Applicants undertake to inform F.I.R.S.T. and the assessment team of any changes in the investment process relevant to the labels, both during the review and assessment process and during the validity period of the FNG-Labels.

1.5 Non-compliance after the award of a label

Should F.I.R.S.T. or the assessment team identify a change in the product's management or communication procedures that violates the compliance with the minimum requirements and the FNG-Label grade awarded, they will conduct a formal review comprising the steps set out below:

- The applicant will be contacted to examine the issues in question more closely.
- The applicant has one month to restore compliance with labels criteria.
- If appropriate measures are taken within the required one-month timeframe, the product 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 no appropriate measures are taken within the required one-month timeframe, the label will be withdrawn or the label grade that has been awarded will be downgraded as appropriate. F.I.R.S.T. 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 the F.I.R.S.T. or the assessment team.
- In the case of the label being withdrawn, the applicant must remove all references to the FNG-Label from all communications relating to the product.
- In the case of the label being downgraded, the applicant must correct the label grade in all communications relating to the product.

1.6 Communications associated with the labels

This section describes the rules for communication measures relating to the FNG-Labels and explains the conditions under which the FNG-Label logos (referring here to all four grades per label, in both German and English) may be used. These rules aim to ensure that there is consistency in communications regarding the FNG-Labels and to pre-empt and prevent inappropriate use.

All product providers, including any associated subsidiaries and points of sales/distribution networks, who carry out communication measures relating to the FNG-Labels, should feel bound by the rules of this Communication Charter and act in accordance with it.

The FNG-Labels and the associated logos are a registered word and figurative mark of Forum Nachhaltige Geldanlagen e.V. The respective award of the label is linked to the award of the label logos, which includes the year of the label's validity.

All products that have been awarded the FNG-Labels, including the stars achieved, are listed at <http://www.fng-siegel.org>. F.I.R.S.T. will also work to ensure that products with the FNG-Label are published on other relevant websites and integrated into databases.

1.6.1 The four grades of the logos

The logos of the FNG-Labels are available for the following four grades in German and English (incl. monochrome) and the formats JPG, PNG, EPS, and GIF:

FNG-Label:



FNG-Label Transition:



1.6.2 Terms of use of the FNG-Labels

1. Product providers who have been awarded an FNG-Label are free to decide whether they use the respective FNG-Label for communication purposes. If they use it, we ask that they respect these communication rules.

2. Product providers who have been awarded an FNG-Label are free to use the grade (stars) at which the product or products in question have been awarded the respective FNG-Label for communication purposes.
3. **Product providers shall be obliged to inform F.I.R.S.T. of their communication activities that include the logos shown, as well as if the logos are not included.** Each communication activity should be forwarded as a PDF, link, etc. to fng-siegel@first-ev.org. **In practice, this is done the first few times** to show the style of the respective communication, to briefly coordinate again, and to receive one or two tips from F.I.R.S.T. if necessary. **Otherwise, "common sense" should be used, meaning a reader should be able to clearly recognize which concrete product has been awarded an FNG-Label.**
4. **All communication measures regarding the FNG-Label are generally valid only for the calendar year for which it was awarded or refer to the year indicated in the graphic of the respective FNG-Label.** However, the respective label may already be used for the corresponding calendar year from the time of award, typically at the award ceremony held in mid-December.
5. To provide product providers with additional opportunities for targeted visibility in connection with the award, the final decisions on the FNG-Labels award have been made on a monthly basis since last year. As soon as a review report has been finalized – following feedback from the committee – and is officially confirmed, applicants will receive a notification at the email addresses they provided in the online tool. From that point onward, the product provider may communicate externally about the award of the FNG-Label.
6. **All communication measures for an FNG-Label are generally only valid for one calendar year.** Revised documents should be submitted to fng-siegel@first-ev.org for information when the label is awarded again.
7. If several products are presented in the same document, not all of which bear the respective FNG-Label, the logo or text references to the respective FNG-Label may only refer to the pages or paragraphs relating to the products with the FNG-Label. **The document must therefore make it clear which products bear an FNG-Label.** A reference using a footnote, for example, is insufficient.
8. If several products with an FNG-Label but different grades are shown in the same document, it must be clearly recognizable which logo with which grade, and which text with information on which grade, belongs to which product.
9. Communication on the FNG-Labels should refer to the respective label methodology, the relevant criteria, or general descriptions (see below for examples). **The FNG-Labels may under no circumstances be represented as a guarantee of performance or security or an invitation to invest in the product or products.** Caution is advised about statements on "impact", particularly concerning the significance of the various grades (stars). These are not necessarily aimed at impact. With regard to the stars, the basic idea is as follows: the more actively and intensively a product engages with the various levels of sustainability, the higher its quality. The focus is on the selection of securities for the portfolio, and the responsibility assumed by an active investor to promote greater sustainability in the invested holdings through engagement and the exercise of voting rights.
10. **F.I.R.S.T. reserves the right to prevent and refuse the publication of any document that is inconsistent with the rules set out in this communication section.**
11. **A product provider who does not comply with the rules of this communication section may, after appropriate notice, have the respective FNG-Label withdrawn.**

1.6.3 Recommendations for presentation and communication

F.I.R.S.T. and FNG promote the certified products as part of their press and public relations activities and invite all relevant product providers to promote the award themselves. **It must be clearly recognizable in all texts that the award refers to one or more products and not to the product provider as a whole.**

Sample headings:

- *Abc product has been awarded the FNG-Label / Abc product has been awarded the FNG-Label Transition*
- *Abc fund receives the FNG-Label for sustainable mutual funds*
- *Abc fund receives the FNG-Label Transition for sustainable mutual funds with a focus on the transformation of the economy*
- *Abc product from Xyz company has been certified with the FNG-Label, the quality standard for sustainable investments*
- *Abc product of Xyz company has been certified with the FNG-Label Transition, the quality standard for sustainable investments for the transformation of the economy*
- *Abc product meets the minimum requirements of the FNG-Label/ FNG-Label Transition (and is awarded for quality that goes beyond the minimum requirements)*
- *Abc product recognized by the quality standard for sustainable investments (FNG-Label/FNG-Label Transition)*

Sample text regarding certification:

Mutual funds and financial products with the FNG-Label / FNG-Label Transition meet the quality standards for sustainable investments in German-speaking countries developed by the Forum Nachhaltige Geldanlagen e. V. (FNG). Successfully certified products pursue a stringent and transparent sustainability approach, the application of which has been checked by an independent review and assessment process and has been monitored by an external committee.

The quality standard FNG-Label includes the following minimum requirements:

- *Transparent and easy-to-understand presentation of the fund's sustainability strategy as part of the FNG sustainability profile*
- *Exclusion of armaments and weapons*
- *Exclusion of nuclear power (including uranium mining)*
- *Exclusion of coal (mining + electricity generation)*
- *Exclusion of fracking and oil sands*
- *Exclusion of tobacco (production)*
- *Exclusion in the event of systematic or severe violation of the core principles of the UN Global Compact or the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct*
- *Analysis of all companies and countries for sustainability criteria (social and ecological responsibility, good corporate governance, sustainability goals of the United Nations or others).*

The FNG-Label Transition standard includes the following minimum requirements:

- *Transparent and easy-to-understand presentation of the fund's sustainability strategy as part of the FNG sustainability profile*
- *Strong focus on companies that contribute to the ecological and/or social transformation of the economy*
- *To prevent transition products from significantly harming other sustainability goals, a DNSH (do no significant harm) has been installed*
- *To prevent transition-washing, a certified product must align its transition strategy with the climate/environmental transition when investing in so-called "high-impact" sectors.*
- *Exclusion of armaments and weapons*
- *Exclusion of tobacco (production)*

- *Exclusion in the event of systematic or serious violations of the criteria of the UN Global Compact or the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct*
- *Analysis of all companies and countries for sustainability criteria (social and ecological responsibility, good corporate governance, sustainability goals of the United Nations or others)*

Sample text for communications about award grades (one to three stars):

The Abc Fund/The Abc Product receives x stars (additional mention: out of a maximum of three) for a particularly ambitious and comprehensive sustainability strategy. It has achieved additional points for this in the categories "Product-Governance", "Product-Standards", and "Portfolio-Focus" (Security selection, Voting, and Engagement).

Sample text for general communications regarding the FNG-Labels:

General additional information:

The **FNG-Labels** are the quality standards for sustainable investment funds and similar financial products in German-speaking countries. The holistic methodology of the FNG-Labels is based on a **minimum standard**, which includes transparency criteria and the consideration of **labor and human rights, environmental protection, and anti-corruption measures**, as summarized in the globally recognized UN Global Compact and the OECD Guidelines for Multinational Enterprises for responsible business conduct. All companies within the respective fund must also be fully analyzed according to sustainability criteria. For the **FNG-Label Transition**, 80 percent of the portfolio must meet the binding criteria of the respective transition strategy to ensure a clear focus on the transformation of the economy. **Investments in nuclear energy, coal mining, coal-fired power, fracking, oil sands, tobacco, and weapons & armaments** are generally excluded (with a typical 5 percent revenue tolerance). If the conditions of a verified transformation of the respective companies are met under the FNG-Label Transition, restrictions on nuclear and fossil energy sources are lifted.

Sustainable products that excel in the areas of "Product Governance," "Product Standards," and "Portfolio Focus" (including selection of securities, voting, and engagement) may receive up to three stars.

The FNG-Labels, with their holistic approach, go far beyond the consideration of individual securities within the portfolio.

Within the framework of SRI due diligence, numerous aspects of sustainable investment are considered – from investment style and process, research, analytical methods, and selection methodology, to engagement and exercise of voting rights. In addition to considering regulatory disclosure requirements, reporting, key performance indicators, controversies, and the quality of the provider are also included in the overall assessment.

The more extensively and intensively a product is active in promoting sustainability across these levels, the higher its overall quality.

The independent review and evaluation work is conducted by the non-profit scientific association **F.I.R.S.T.**, in cooperation with the university spin-off **Advanced Impact Research GmbH (AIR)**, under the scientific advisory board of Prof. Dr. Timo Busch from the University of Hamburg. F.I.R.S.T. holds primary responsibility, particularly for coordination, award, and marketing of the FNG-Labels. The review process is further supported by an external committee with interdisciplinary expertise. A **scientific study** concluded that the FNG-Label stands out particularly in the areas of transparency, rigor, and governance.

Detailed information on the methodology is available in the **Rules of Procedure**
More information on the FNG-Label: www.fng-siegel.org/einfuehrung

Sample messages for the FNG-Labels:

- *The FNG-Labels are the quality standard for sustainable investments in German-speaking countries.*
- *The FNG-Labels are a holistic, professional, and credible quality standard for sustainable investments.*
- *The FNG-Labels guide the search for sound, professionally managed sustainability funds or similar products.*
- *The FNG-Labels help in the search for solid, sensible sustainability funds or similar investment products.*
- *In addition to the Label's minimum requirements, competition for ambitious sustainable investment strategies is promoted by the grading model.*
- *The FNG-Labels create a minimum standard by means of "mandatory and optional" (prevent greenwashing) and distinguish those products that are committed to more.*
- *The more multi-layered and intensive a product's activities are on the various levels in terms of sustainability, the higher its sustainability quality and the potential to ultimately achieve indirect and direct impact within the meaning of (higher) sustainability standards.*
- *The FNG-Labels help to find serious and credible offers in the area of sustainable investments.*
- *The FNG-Labels recognize well-made sustainability funds and similar financial products that pursue a wide variety of investment styles with sustainability-related objectives (e.g., value orientation, management of ESG risk and opportunities, sustainable investments according to SFDR or EU taxonomy, or transition strategies) in a professional and credible manner.*
- *The FNG-Label was developed by numerous experts from the financial sector and other civil society actors (including NGOs) and is continuously being developed further.*
- *The credibility of the FNG-Labels is underpinned by independent review and assessment work under academic management and additional monitoring by an external committee with interdisciplinary expertise.*

1.6.4 Technical aspects

The logos of the FNG-Labels are available in German and English as *JPG, PNG, EPS, and GIF files*. The logos must be clearly legible, which is why the following **minimum size** is required:

- In printed publications: 18 mm height x 14.6 mm width
- In electronic communication: 150px height

Larger images are permitted. The logos of the **FNG-Labels** contain the following colors: Green 40/10/86/10 (CMYK) and Blue 75/50/0/10 (CMYK). For black-and-white versions, the appropriate logo templates must be used. As a guide, the colours can be converted using the following values: Green = 40 percent black, blue = 60 percent black, gray = 80 percent black

1.7 Liability

By accepting the offer for new products in the online tool, applicants explicitly acknowledge that the interpretation of the criteria by F.I.R.S.T. or AIR regarding the product's compliance with the respective label criteria shall prevail. F.I.R.S.T. or AIR shall in no way be held liable if the FNG-Labels are not awarded or if the awarded label grade does not meet the applicant's expectations, irrespective of the reasons for the non-allocation or the classification of the product into a certain label grade. Furthermore, F.I.R.S.T. or AIR cannot be held liable to refund the processing fee as explained in section 1.2. of the document.

By accepting the offer for new products in the online tool application documents, applicants explicitly acknowledge that F.I.R.S.T. and AIR do not make any assertion as to the completeness, accuracy of content, economic viability, or legal compliance of the offer and the investment activity of the respective financial product by awarding a label. This is not intended

by the applicants, F.I.R.S.T. or AIR, and may not be communicated to the investors of the applicants or the respective financial products. Any liability of F.I.R.S.T. or AIR towards applicants in this respect is excluded.

1.8 Confidentiality

F.I.R.S.T. and AIR are obliged to treat the documents received with the utmost confidentiality. The data will not be forwarded to external third parties unless the product provider gives explicit written consent. Exceptions are review or validation requests regarding exclusion criteria, Global Compact controversies, or similar, which must be carried out with the help of third parties, such as ESG rating agencies or other SRI-specialized service providers. In this case, only ISINs and, if necessary, the related securities are used. If this should occur, the information will be made anonymous. Members of the FNG-Label Committee are exempt from this rule. By accepting the offer in the online tool, applicants confirm their agreement with this rule. If the product provider shares certain confidential information with F.I.R.S.T. and AIR only under the condition of a separate confidentiality agreement, F.I.R.S.T. and AIR will sign a corresponding document.

1.9 Language of proceedings

The official oral and written language of the proceedings is German or English.

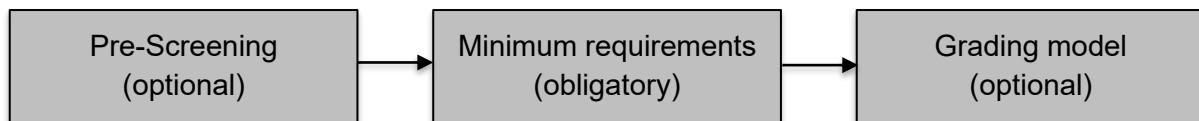
2. Label criteria

2.1 Overview

The label methodology comprises the following review and assessment sections (see Figure 1):

1. Pre-Screening (optional)
2. Minimum requirements (mandatory)
3. Grading model (optional)

Figure 1: Sections in the FNG-Labels review and assessment process



2.2 Access requirements

Investment funds with a sustainability focus or similar investment vehicles of all asset classes with an application for approval from the competent supervisory authority can apply for an FNG-Label if they comply with the UCITS or equivalent standard and are authorized for distribution in at least one of the countries Germany, Austria, Switzerland, or Liechtenstein. Funds of funds or other fund constructs that are invested in target funds can also apply for an FNG-Label, usually for the pre-screening and assessment of the minimum requirements (the mandatory part without the voluntary part, for the stars). In the case of an intended application for the grading model, prior consultation is required. The same applies to clearly defined, distinct asset management universes. These always require prior consultation (see appendix).

In the case of newly launched or very young funds, there may be a structural disadvantage, as certain criteria (e.g., final reporting, engagement examples, or evidence of the exercise of voting rights) cannot yet be provided or cannot be provided to a comprehensive extent. In such cases – depending on the available capacities – a reduced review may be carried out. Depending on the time of application submission, completeness of the documents, and progress of the fund launch and any associated subsequent deliveries and reviews, a surcharge may be payable by individual agreement.

In this context, all documents that are not yet final but are necessary for the labels review and are directly related to the approval can be submitted by December 15 of the respective application year, provided that the product approval is not granted until after the end of the review and assessment period. Examples of such documents are an actual, real invested portfolio, ISINs, launch date, volumes, or the FNG sustainability profile. In this case, only additional feedback loops by email are usually possible.

2.3 Pre-Screening

Table 2 shows the core characteristics of the pre-screening, including the criteria to be reviewed.

Table 2: Overview of the pre-screening for both FNG-Labels

| Basics | |
|---|--|
| Goal | The aim is to provide those interested in applying for an FNG-Label with a better basis for decision-making. |
| Result | Evaluation by the Assessment Team, <ol style="list-style-type: none"> whether one of the FNG-Labels is likely to be awarded (in relation to the respective basic label, without the grading model). which of the FNG-Labels best matches the advertised product. |
| Criteria | |
| Sustainability-related objective⁸ | Query the sustainability-related objective pursued by the advertised product: <ol style="list-style-type: none"> Value-oriented (usually exclusions) Management of ESG risks and opportunities (generally best-in/of-class or similar approaches) Investment in sustainable investments (in accordance with EU-SFDR Art. 2(17) or EU taxonomy) Investment in transition investments (according to the EU Commission, see definition in the annex). |
| Exclusions | Screening of the portfolio for violations of the minimum requirements of the respective FNG-Label (no review of the formal exclusion processes) ⁹ |
| Sustainability-related analysis | Check whether the sustainability-related analysis used is in line with the sustainability-related objective of the product. |
| Portfolio threshold Exclusions | Exclusions: 100% Exclusions must apply to the entire portfolio (applies to both labels) |
| Portfolio threshold Transition | Transition strategy: 80% The transition strategy of a product must apply to 80% of the portfolio (applies to the FNG-Label Transition) |

The pre-screening offers interested parties the opportunity to obtain an initial assessment of which FNG-Label is suitable for the product and whether it is likely to be awarded the label, with minimal resources and a significantly reduced scope of questions. For example, the sustainability-related objective of the product and the portfolio threshold value are checked. The portfolio is also checked for controversies.

⁸ These objectives can be implemented via the familiar SRI investment styles, such as exclusions, best-in/of-class, thematic approaches, engagement, etc.

⁹ A review of the exclusions takes place in the preliminary review exclusively at the level of the actual portfolio holdings). A review of the systematic exclusion processes is not included in the pre-screening and is only reviewed in the minimum requirements following an application.

In this process, the pre-screening also provides an initial indication for assigning the product to an FNG-Label (established FNG-Label or FNG-Label Transition). It is, of course, up to the applicant to decide which label they apply for with their product.

The pre-screening is characterized by a small number of questions and, therefore, faster initial application and feedback from the assessment team. By gathering essential information on key aspects of the investment process—such as transparency requirements, sustainability analyses, and security selection—the assessment team can provide answers to the following questions:

1. Is a label award likely?
2. Which of the two labels suits the product better (established FNG-Label or FNG-Label Transition)?

The pre-screening is particularly suitable for those who are interested in applying for a label but are unsure whether their approach is sufficient to be awarded the label. In these cases, the assessment team recommends conducting a pre-screening for at least each “flagship product” that other products resemble in terms of investment process or investment style. The results of the pre-screening are intended to provide a better basis for a decision on a label application. Due to the uncomplicated and efficient submission of the necessary documents, the results of this pre-screening are available quickly.

In the case of an application for an FNG-Label, products that have already **received a result in the pre-screening** may, of course, make full use of the application information via the familiar **referencing function**. This means that **all results from the pre-screening can be used for these products, and only the remaining questions of the minimum requirements** and the additional questions of the grading model need to be **answered**. Therefore, the full credit is applied within the scope of a subsequent binding application, meaning that the pre-screening does not result in any price increase for a label application.

It should be noted that the pre-screening is **NOT a complete check** of the minimum requirements. Accordingly, **there is NO entitlement to receive an FNG-Label** following the result of the pre-screening. It is also possible that a product with a positive result in the pre-screening does **NOT** pass the minimum requirements in the course of the full check and therefore cannot receive the respective FNG-Label.

2.4 Minimum requirements

Applicants must fully meet all minimum requirements to receive the respective label as such. Table 3 provides an overview of this.

Table 3: Overview of minimum requirements for the FNG-Label and FNG-Label Transition

| | FNG-Label | FNG-Label Transition |
|--|---|---|
| |  certified by AIR |  certified by AIR |
| Exclusions (companies and countries) | | |
| Controversial weapons | 0% | 0% |
| Conventional weapons | 5% | 5% |
| Tobacco | 5% | 0% |
| UNGC or OECD violations | ✓ | ✓ |
| Nuclear energy | 5% | ✗ |
| Coal | 5% | ✗ |
| Oil sands | 5% | ✗ |
| Fracking | 5% | ✗ |
| Countries | ✓ | ✗ |
| Sustainability-related objective and transparency | | |
| Sustainability-related objective ¹⁰ | 1. Value orientation 2. Management of ESG risks & opportunities 3. Sustainable investments (EU-SFDR or EU taxonomy) | Transition (climate, environment, social) |
| FNG sustainability profile | ✓ | ✓ |
| Sustainability-related analysis and thresholds | | |
| Sustainability-related analysis | 100% coverage in line with objectives | 100% coverage in line with objectives |
| Portfolio threshold Exclusions | 100% | 100% |
| Portfolio threshold Transition | ✗ | 80% |

Legend: % figure = revenue tolerance, ✓ = exclusion applies, ✗ = exclusion does not apply

¹⁰ These objectives can be implemented via the familiar SRI investment styles, such as exclusions, best-in/of-class, thematic approaches, engagement, etc.

2.4.1 Minimum exclusions established FNG-Label^{11,12}

*Companies:*¹³

- Controversial weapons
 - Production of controversial weapons¹⁴: no revenue tolerance
 - Production of key components of controversial weapons: no revenue tolerance
- Conventional weapons
 - Production of conventional weapons: ≤ 5 percent revenue tolerance
 - Production of key components of conventional weapons: ≤ 5 percent revenue tolerance
 - Production of armaments: ≤ 5 percent revenue tolerance
- Tobacco¹⁵
 - Cultivation of tobacco: ≤ 5 percent revenue tolerance
 - Production of tobacco: ≤ 5 percent revenue tolerance
- Norm-based exclusions¹⁶
 - Conformity with the ten core principles of the UN Global Compact: This usually refers to serious and/or systematic violations of the ten core principles, which are divided into the following four areas:
 - **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 Charter of Fundamental Rights of the European Union.
 - **Labor rights**: Serious and/or systematic violations of the ILO core labor standards and their four basic principles (freedom of association and the right to collective bargaining; elimination of forced labor; abolition of child labor; prohibition of discrimination in respect of employment and occupation).
 - **Environment**: Serious and/or systematic violations of environmental legislation and/or massive environmental degradation.
 - **Anti-corruption**: Serious and/or systematic corruption and/or bribery.
 - Conformity with the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct: As a rule, this refers to severe and/or systematic violations of the recommendations: they aim to promote the positive contribution that companies can make to economic, environmental, and social progress. In addition, companies' business activities, products, or services may have a negative impact on the issues addressed in the guidelines - minimizing

¹¹ Please note that the following list is a list of criteria groups that are not subject to a consensual formulation by the various ESG service providers. Due to the individual nature of many criteria, it is unfortunately not possible to provide a standardized designation.

The revenue tolerances apply including the corresponding tolerance, e.g. exclusion of more than five percent revenue.

¹² Note: The filter settings for external research agencies that were valid for the FNG-Label 2025 continue to apply. (Status of the exchange with research providers: mid-March 2025.)

¹³ All information on revenue tolerances in this section relates to the issuer level.

¹⁴ **Types of controversial weapons:** See RTS on EU-SFDR for specification on PAI 14: Annex I Art. 18 "Anti-personnel mines, cluster munitions, chemical and biological weapons". In addition, the FNG-Labels exclude nuclear weapons, uranium ammunition and weapons or ammunition that use white phosphorus in accordance with common market practice.

Types of activities related to controversial weapons: According to ESMA Q&A with reference to PAI14 from Delegated Regulation 2022/1288: Manufacture and sale of controversial weapons is included here.

¹⁵ In accordance with the ESMA Guidelines on funds' names and the Delegated Regulation (EU) 2020/1818, both the production and cultivation of tobacco are excluded. For this reason, the cultivation of tobacco has also been included as a minimum exclusion criterion of the FNG-Labels since this year. In practice, the cultivation of tobacco is surveyed by research providers together with the production of tobacco, so that the specific processes and exclusions do not change.

¹⁶ In line with the ESMA Guidelines on funds' names and the Delegated Regulation (EU) 2020/1818, this minimum exclusion criterion applies either to conformity with the UN Global Compact Core Principles **or** with the OECD Guidelines. For previous FNG-Label applicants: the previously used exclusion filter from the respective research agency is still valid without change.

these effects is another concern of the guidelines. They cover all key areas of corporate responsibility, from human rights, workers' rights, and the environment to bribery, consumer interests, and disclosure of information, science, technology, competition, and taxation.¹⁷

- Nuclear energy
 - Uranium mining: ≤ 5 percent revenue tolerance for FNG-Label
 - Operators of nuclear power plants or companies that base their electricity generation on nuclear energy: ≤ 5 percent revenue tolerance for FNG-Label
 - Production of essential components for nuclear power plants: ≤ 5 percent revenue tolerance for FNG-Label
- Coal
 - Extraction of coal: ≤ 5 percent revenue tolerance for FNG-Label
 - Coal-based electricity generation: ≤ 5 percent revenue tolerance for FNG-Label
- Oil sands
 - Extraction of oil sands: ≤ 5 percent revenue tolerance for FNG-Label
 - Processing of oil sands: ≤ 5 percent revenue tolerance for FNG-Label
- Fracking
 - Application of fracking technologies: ≤ 5 percent revenue tolerance for FNG

Countries:

- Human rights/democracy
 - Countries that are classified as "not free" according to the current Freedom House ranking.
- Environment
 - Countries that are not legally bound by the UN Convention on Biological Diversity (UN Biodiversity Convention) and
 - Countries that are not legally bound by the Paris Climate Agreement (COP-21).
- Corruption
 - Countries that have a score lower than 35 in Transparency International's current Corruption Perceptions Index.
- Nuclear Non-Proliferation Treaty
 - Countries that are not legally bound by the Non-Proliferation Treaty.

Applicants with government bonds in their portfolio must prove that the financial product is not invested in and cannot invest in countries (including monitoring procedures (monitoring of exclusions)) that have the aforementioned characteristics.

Lists of all countries with these characteristics are publicly available. The links to the creators of these lists can be found in the appendix.

¹⁷ See https://www.oecd.org/content/dam/oecd/de/publications/reports/2023/06/oecd-guidelines-for-multinational-enterprises-on-responsible-business-conduct_a0b49990/abd4d37b-de.pdf.

2.4.2 Minimum exclusions FNG-Label Transition¹⁸

*Companies:*¹⁹

- Controversial weapons
 - Production of controversial weapons²⁰: no revenue tolerance
 - Production of key components of controversial weapons: no revenue tolerance
- Conventional weapons
 - Production of conventional weapons: ≤ 5 percent revenue tolerance
 - Production of key components of conventional weapons: ≤ 5 percent revenue tolerance
 - Production of armaments: ≤ 5 percent revenue tolerance
- Tobacco²¹
 - Cultivation of tobacco: no revenue tolerance
 - Production of tobacco: no revenue tolerance
- Norm-based exclusions²²
 - Conformity with the ten core principles of the UN Global Compact: This usually refers to severe and/or systematic violations of the ten core principles, which are divided into the following four areas:
 - **Human rights**: Severe and/or systematic violations of human rights. Human rights are defined in the UN Universal Declaration of Human Rights and in the Charter of Fundamental Rights of the European Union.
 - **Labor rights**: Severe and/or systematic violations of the ILO core labor standards and their four basic principles (freedom of association and the right to collective bargaining; elimination of forced labor; abolition of child labor; prohibition of discrimination in respect of employment and occupation).
 - **Environment**: Severe and/or systematic violations of environmental legislation and/or massive environmental degradation.
 - **Anti-corruption**: Severe and/or systematic corruption and/or bribery.
 - Conformity with the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct: As a rule, this refers to severe and/or systematic violations of the recommendations: they aim to promote the positive contribution that companies can make to economic, environmental, and social progress. In addition, companies' business activities, products or services may have a negative impact on the issues addressed in the guidelines – minimizing these effects is another concern of the guidelines.

¹⁸ Please note that the following list is a list of criteria groups that are not subject to a consensual formulation by the various ESG service providers. Due to the individual nature of many criteria, it is unfortunately not possible to provide a standardized designation.

The revenue tolerances apply including the corresponding tolerance, e.g. exclusion of more than five percent sales.

¹⁹ All information on revenue tolerances in this section relates to the issuer level.

²⁰ **Types of controversial weapons**: See RTS on EU-SFDR for specification on PAI 14: Annex I Art. 18 "Anti-personnel mines, cluster munitions, chemical and biological weapons". In addition, the FNG-Labels exclude nuclear weapons, uranium ammunition and weapons or ammunition that use white phosphorus in accordance with common market practice.

Types of activities related to controversial weapons: According to ESMA Q&A with reference to PAI14 from Delegated Regulation 2022/1288: Manufacture and sale of controversial weapons is included here.

²¹ In accordance with the ESMA Guidelines on funds' names and the Delegated Regulation (EU) 2020/1818, both the production and cultivation of tobacco are excluded. For this reason, the cultivation of tobacco has also been included as a minimum exclusion criterion of the FNG-Labels since this year. In practice, the cultivation of tobacco is surveyed by research providers together with the production of tobacco, so that the specific processes and exclusions do not change.

²² In line with the ESMA Guidelines on funds' names and the Delegated Regulation (EU) 2020/1818, this minimum exclusion criterion applies either to conformity with the UN Global Compact Core Principles **or** with the OECD Guidelines. For previous FNG-Label applicants: the previously used exclusion filter from the respective research agency is still valid without change.

They cover all key areas of corporate responsibility, from human rights, employee rights, and the environment to bribery, consumer interests, and disclosure of information, science, technology, competition, and taxation.²³

Generally valid for both FNG-Labels:

Applicants must prove that they have installed effective exclusion processes (including monitoring procedures (monitoring of exclusions)) in their investment processes with which they systematically exclude issuers that are active in the aforementioned areas or violate the aforementioned principles (depending on the FNG-Label).

With regard to the evidence of the above-mentioned exclusions (for companies and countries), proof documenting the quality and procedure of the exclusion processes must be submitted. The assessment team reserves the right to verify the accuracy of the documents and exclusion processes. If external agencies²⁴ are involved in the exclusion screening, proof of this screening must be submitted. In the case of sovereign exclusions, ideally, this can be established by means of official documents such as a formalized corporate (investment) policy, prospectus, or similar.

Likewise, the exclusion in accordance with the listed criteria must be complied with for the entire duration of the label period. Investments in securities that violate the minimum exclusion criteria of the respective FNG-Label are not compliant with the label and are, therefore, not permitted. This applies both to investments with a short-term investment period (e.g., for liquidity management) and to securities that are subject to an engagement process. It is not sufficient to hold security despite proven exclusions as mentioned above (regarding countries and companies depending on the FNG-Label), with the justification that the applicant is in dialogue with the company concerning the respective violation (e.g., a controversy related to a serious UNGC violation) is insufficient. Such securities must be sold by the end of the respective review and assessment period at the latest. In connection with non-compliance with the FNG-Labels criteria for the period of validity of the label, please refer to 1.5 Non-compliance after the award of a FNG-Label.

A participation/ownership limit of 50 percent must be observed for the company exclusions. As soon as a company holds a stake of more than 50 percent in another company, this company must also be checked against the exclusion criteria. The exclusion criteria also apply to financial subsidiaries whose sole corporate purpose is to issue securities for their parent company (so-called "special purpose vehicles" (SPVs)). If such a financial subsidiary is in the portfolio and the parent company violates one of the minimum exclusion criteria, this violation also applies to the financial subsidiary, as its purpose is to enable the financing of the parent company's activities.

In the case of the "use-of-proceeds bonds" investment category, where the use of funds can be clearly allocated, violations of the aforementioned exclusion criteria (companies and countries depending on the FNG-Label) apply at the project level. If a violation is suspected, an analysis of the exclusion criteria must, therefore, be carried out at the project level (e.g., approximately through second-party options (SPOs) or internal analyses at the project level). By demonstrating "non-violation" through an SPO, for example, an element of suspicion can be eliminated. An exception to this are serious and/or systematic violations of the norm-based exclusions to the UNGC principles and OECD guidelines. It is not possible to refute the suspicion at the project level here. Therefore, a serious and/or systematic violation of the aforementioned standards results in a controversy that must be removed from the portfolio to receive the respective label.

²³ See https://www.oecd.org/content/dam/oecd/de/publications/reports/2023/06/oecd-guidelines-for-multinational-enterprises-on-responsible-business-conduct_a0b49990/abd4d37b-de.pdf.

²⁴ The assessment team endeavors to ensure that the required exclusion filters of external agencies are constantly updated. If these are changed, the associated criteria may also have to be updated by the applicant so that the latest findings on methodological changes at external agencies are applied in the FNG-Labels.

The minimum exclusions must also be applied to target funds²⁵ of any kind in the applying fund or asset management universe. The principle of use of proceeds or the ultimate beneficiary in connection with the minimum exclusion criteria also applies to other asset classes or product categories for which it is unfortunately not always possible to define the respective handling in these rules of procedure in advance of an application. More detailed explanations can be found in the appendix to this document.

Index funds/ETFs must have adjusted their minimum exclusions in accordance with the FNG-Label criteria no later than during the rebalancing or through an amendment of the index rules before the review and assessment deadline.

Exceptions to this are derivatives as well as holdings in physical commodities and cash in cash holdings²⁶. No corresponding evidence needs to be provided for these asset classes

Special cases (target funds and UoP bonds)

All target funds of any type in an applying fund or asset management universe must have undergone a sustainability-related analysis (at the individual security level or fund level). This applies to all target funds within a fund or asset management universe (and to all target funds within funds of funds). Exceptions to this are derivatives as well as holdings in physical commodities and cash in cash holdings²⁷. No corresponding evidence needs to be provided for these asset classes. The special provisions in the Annex apply to microfinance funds as target funds.

For "use-of-proceeds bonds financial products", it must be clear whether the product also invests in regular government/corporate bonds. In this context, the basic rule for use-of-proceeds bonds with earmarked use of funds is that the sustainability-related analysis must be carried out at the level of the specific use of funds. This evidence can be provided by SPOs, for example.

2.4.3 Sustainability-related objective and transparency

- Sustainability-related objective**

A description of the sustainability-related objective of the product with reference to the following objectives is required, depending on the label:

1. **FNG-Label**: value orientation (usually exclusions), management of ESG risks and opportunities (e.g., best-in/of-class), sustainable investments in accordance with Art. 2(17) EU-SFDR or EU taxonomy.
2. **FNG-Label Transition**: climate, environmental, or social transition.

The fund prospectus generally serves as proof.

In the case of "transition products", it is also necessary to provide further information on investments in "high-impact" sectors, as defined in the delegated regulation on "climate benchmarks" (Delegated Regulation (EU) 2020/1818, Art. 3).

- Transparency**

A fully completed and publicly accessible **FNG sustainability profile** in German or English that was not created before 01.01.2025 is also a minimum requirement. An FNG sustainability profile must therefore be available that was updated on 01.01.2025 or later. Please note that completing the FNG sustainability profile does not constitute an FNG-Label application. The FNG sustainability profile is merely a component of the FNG-Label application process.

²⁵ The special provisions for microfinance funds also apply as target funds in accordance with the Annex.

²⁶ Note: Investment vehicles such as liquidity funds or money market funds are subject to the minimum exclusion criteria in accordance with the regulations for target funds.

²⁷ Note: Investment vehicles such as liquidity funds or money market funds are subject to the minimum requirements in accordance with the regulations for target funds.

To create an account and for help with completing the profile, please contact the FNG: nachhaltigkeitsprofil@forum-ng.org or access link: <https://www.forum-ng.org/typo3/>

Examples: <https://www.forum-ng.org/en/fng-sustainability-profiles>

2.4.4 Sustainability-related analysis and threshold

- **Sustainability-related analysis: Implementation of the sustainability-related objective**

Within the portfolio template, it must be shown that all securities in the portfolio are analyzed according to sustainability criteria that are suitable for implementing the sustainability-related objective. In the case of securities not covered, a period of generally three months is granted for the subsequent submission of a corresponding analysis. The fulfillment/evidence of the minimum exclusions remains unaffected. This also applies to target funds in funds (and all target funds within funds of funds).

There must be a clear link between the sustainability reference of the analyses and the sustainability-related objective of the product. For example, this could be an ESG rating/scoring for products to manage ESG risk and opportunities. If internal analyses are used, these must correspond in type, manner, and scope to external analyses and must have used current sources (e.g., annual financial statements for sales analyses generally not older than twelve months). This means that internal analyses must generally not be older than one year.

- **Threshold**

A description of the composition of the share of investments in the portfolio that is consistent with the sustainability-related objective of the product is required. This share is defined for Art. 8 and Art. 9 funds pursuant to EU-SFDR in accordance with the publications on Annexes II and III of CDR (EU) 2022/128. The following thresholds are defined for the FNG-Labels:

1. **FNG-Label:** 100 percent for respective minimum exclusions,
2. **FNG-Label Transition**
 - 100 percent for respective minimum exclusions
 - 80 percent²⁸ in accordance with the sustainability-related objective.

The portfolio template must be completed in full to enable the sustainability-related analysis and the thresholds to be checked. It must contain all securities that were in the portfolio on the reporting date.

Additional information for the FNG-Label Transition:

a) Definition of transition investments

Products applying for the FNG-Label Transition can meet the 80 percent threshold if they can prove that their definition of transition investments follows the EU Commission's definition.²⁹ Transition is understood there as an improvement in sustainability performance in line with sustainability targets, such as the 1.5-degree target of the Paris Agreement or the other environmental targets of the EU taxonomy. Transition investments are therefore

1. Investments in portfolios that replicate CTB or PAB benchmarks,
2. Investments in EU taxonomy-compliant economic activities (transition activities or economic activities that become EU taxonomy-compliant within a maximum of five years, in exceptional cases also 10 years),

²⁸ Note: Only investments that receive a positive result in the sustainability-related analysis, i.e. have at least one transition characteristic, may be included in this 80 percent. Engagements with investment issuers that do not have a transition characteristic are considered insufficient and cannot be included in the 80 percent quota. The SFP proposes that this should only apply to "credible engagement strategies". However, the platform is currently still working on the definition of these. The assessment team is continuing to work on ensuring that engagements can be considered here in the future.

²⁹ See <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023H1425>.

3. Investments in companies with a credible transition plan,³⁰
4. Investing in companies with a credible SBT(i) path.³¹

In addition, the environment-related Sustainable Development Goals (SDGs) can also be used as the basis for a transition strategy. In addition to the environmental aspects, the definition of transition investments of the FNG-Label Transition also covers social aspects (see appendix). Accordingly, investments in securities that contribute positively to at least one of the social SDGs by being on a clear and measurable path to a social transition (implemented, for example, based on established SDG ratings) can also be considered transition investments.

In order to meet the 80 percent threshold of the FNG-Label Transition, candidates must demonstrate that the product's definition of transition investments follows the definition explained here. This can also be done by demonstrating that the portfolio of the applying product replicates a CTB or PAB benchmark. In this case, at least 80 percent of the product's assets must match the transition characteristics of the CTB or PAB index.

b) DNSH test for transition products

Art. 2(17) of the EU-SFDR stipulates that sustainable investments must make a positive contribution to a sustainability objective without significantly harming other sustainability objectives. Such criteria do not yet exist for transition investments. To prevent transition products from significantly harming other sustainability goals, a DNSH test is therefore also required for the **FNG-Label Transition**. The DNSH principle applies to sustainability goals that are not part of the transition strategy but are influenced by the issuer or the economic activity, as no transition is actively sought here

Accordingly, an investment can only qualify as a transition investment if it does not cause significant harm to other sustainability goals. The DNSH assessment is to be implemented using the Principal Adverse Impact (PAI) indicators, as already practiced for sustainable investments in accordance with EU-SFDR 2(17).

c) "High-impact" sectors

There is also a minimum criterion for the **FNG-Label Transition** to prevent transition-washing. Accordingly, a product that seeks to be awarded the FNG-Label Transition and invests in so-called "high-impact" sectors must align its transition strategy with the climate/environmental transition (based on the sustainability objectives of the EU taxonomy or the environmental-related SDGs). For companies in "high-impact" sectors, these environment-related sustainability goals are too relevant to be ignored in a transition strategy. This prevents, for example, a coal energy producer from being considered a transition investment because it is implementing a transition in the social sector. With this rule, a product that invests in fossil fuels, for example, must implement an environmental transition strategy in order to be awarded the FNG-Label Transition. The definition of "high-impact" sectors is to follow the CTB and PAB regulations.³²

The list of high-impact sectors (NACE sectors A-H and L, Regulation (EU) No 1893/2006, Annex 1) is as follows:

Section A - Agriculture, Forestry, and Fishing

Section B - Mining and Quarrying

Section C - Manufacturing

Section D - Electricity, Gas, Steam, and Air Conditioning Supply

Section E - Water Supply, Sewerage, Waste Management, and Remediation Activities

Section F - Construction

Section G - Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles

Section H - Transportation and Storage

Section L - Real Estate Activities

³⁰ A transition plan is considered credible if, among other things, it uses a verified SBT(i) pathway to demonstrate the ambition of the transition strategy.

³¹ The FNG-Label Transition here refers to SBT(i) paths that have been verified.

³² See Art. 3, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R1818>.

2.5 Grading model

Products can go through the grading model for each FNG-Label (established FNG-Label, FNG-Label Transition). To do so, the corresponding selection must be made in the online tool. The questionnaire can then be completed in the online tool and sent to the assessment team.

2.5.1 Scoring system and label grades

In the grading model, the applicant is awarded points for meeting the criteria of the categories listed in Table 4. A specific label grade will be awarded depending on the weighted sum of points achieved.³³

Table 4: Weighting of the different categories

| Categories | | Weighting (in %) |
|--------------------|-----------------------|------------------|
| Product-Governance | | 10 |
| Product-Standards | | 20 |
| Portfolio-Focus | Security selection | 35 |
| | Voting and Engagement | 35 |
| Total | | 100 |

Special product characteristics (e.g., asset class) are considered accordingly.

The weightings listed here do not provide any indication of the weighting of the individual criteria within a category.

The following label grades are awarded:

Basic Label: This label is awarded to applicants who fulfill all criteria in the minimum requirements section and who do not achieve more than 24.99 percent in the case of an application for the grading model.

One-star label: This label is awarded to applicants who meet all criteria in the minimum requirements section and achieve between 25.00 and 49.99 percent in the grading model.

Two-star label: This label is awarded to applicants who meet all criteria in the minimum requirements section and achieve between 50.00 and 69.99 percent in the level model.

Three-star label: This label is awarded to applicants who meet all criteria in the minimum requirements section and achieve at least 70.00 percent in the level model.

2.5.2 Product-Governance (10 percent weighting)

The focus of the Product-Governance assessment is on the general sustainability efforts that a product provider³⁴ has installed and that influence the advertised product. Applicants should demonstrate that they

- can provide evidence of a formal sustainability-related objective (as an investment objective) in the prospectus³⁵ of the product being submitted for application;

³³ Note: Adding up the stars in the individual categories or averaging them does not give an indication of the overall result, as the number of stars per category is determined based on the number of points achieved, which in turn is used to determine the overall result. The overall star rating results from the weighted points achieved in the respective categories.

³⁴ Note: The sustainability efforts of the fund providers (often the namesake of the fund) are also reviewed for white label funds.

³⁵ Note: For asset management companies, a different formal document can be submitted here.

- have a derivatives policy in place that relates to the applied product and sets out exclusions at the derivatives level;
- have installed one or more sustainability-related guidelines that apply to the advertised product;
- have linked the remuneration structure of employees to the sustainability performance of the applicant company or the sold products (e.g., the remuneration of the SRI fund manager to the sustainability performance of the fund);
- have installed a sustainability advisory board or investment committee that has an influence on the product being applied for;
- use a portion of their fund revenues for projects that contribute positively to sustainability goals. What matters is whether part of the revenues – e.g., a share of the management or performance fee – of the product being submitted is used to support projects with a positive environmental or social impact.

2.5.3 Product-Standards (20 percent weighting)

The assessment of the Product-Standards³⁶ focuses on the quality of the research processes and sustainability reporting at the product level. The following characteristics and features are considered:

- Research:
Applicants should demonstrate that the sustainability analysis of each issuer type in the portfolio (companies, sovereigns, supranational issuers, local authorities, and others) is based on a sound analytical structure, regardless of the size of the analyzed issuer. It should be made clear whether applicants obtain external sustainability information on issuers (e.g., from Inrate, ISS ESG, RepRisk, MSCI ESG, Clarity AI, Refinitiv, ESG Screen 17, EthiFinance (with ISS ESG as a data partner), rfu, Morningstar| Sustainalytics, ESG Book, Bloomberg, etc.) and, if so, to what extent applicants systematically incorporate specific findings from internal ESG research (e.g. from thematic studies, internally developed innovative sustainability approaches, sector studies, controversy monitoring, engagement activities) into the final sustainability assessment of issuers. Applicants should also ensure that the ESG analyses are regularly updated.
- Sustainability reporting
Applicants should regularly report, as objectively as possible, on selection-relevant sustainability indicators/KPIs of the product, on sustainability aspects of individual issuers, or the benchmark used, in publicly accessible product documents. In addition to the factsheet, this can include, for example, communication media such as newsletters, mailings, or the like, which contain, for example, CO₂ data, 1.5°C/2°C compatibility, portfolio ESG rating versus benchmark/comparison figure, SDG contribution including sub-targets, special key performance indicators or other measurements. Information that is published is considered in the distribution of points.³⁷ In addition, it is assessed whether there is disclosure regarding the methodological basis used to measure the reported indicators.

2.5.4 Portfolio-Focus (70 percent weighting)

The focus of the assessment of elements with a portfolio focus is on the extent to which the product provider uses internal processes, systems, and measures to actively improve the overall sustainability performance of the product in a targeted manner. This category is divided into two sub-categories:

³⁶ Note: The elements of the "ESG KPIs" section will be split within the Product-Standards and security selection sections from the award of the FNG-Labels 2026 onward.

³⁷ This does not apply to funds that are distributed exclusively to institutional investors due to their legal nature. In the event of legal publication hurdles, these must be justified by the fund provider.

1. Security selection³⁸
2. Voting and Engagement

2.5.4.1 Security selection (35 percent weighting)

It examines which processes and systems product providers have set up to select issuers that perform well in terms of sustainability and exclude controversial issuers or activities from the eligible investment universe. It should be noted that this sub-category focuses on investment processes and does not include reporting.³⁹ The following characteristics and features are examined at the product level:

Negative selection

The product provider must have high-quality exclusion procedures in place, which enable it to exclude controversial issuers from its eligible investment universe. The quality of the exclusion procedures and, therefore, the points awarded are measured by how many exclusion criteria are implemented and how strict they are, and accordingly, how controversial issuers or activities are classified as "non-eligible". Strictness here refers, for example, to the depth of the supply chain (is only mining, or also the trading and generation of coal-fired electricity excluded?) or the level of revenue tolerance.

Positive selection⁴⁰

The product provider should demonstrate that the scope and quality of internal processes and instruments are suitable for identifying issuers with a high sustainability performance in terms of the sustainability-related objective (e.g., value orientation (generally exclusions), management of ESG risk and opportunities (e.g., best-in/of-class), sustainable investments in accordance with Art. 2(17) EU-SFDR or the EU taxonomy (e.g., thematic approaches) and transition investments⁴¹) and giving preference to investing in them. Depending on the investment approach, the following criteria are applied:

1. **ESG positive selection⁴²**: Sustainability performance is reflected in a best-in-class or comparable investment approach by selecting issuers that manage ESG risk and/or opportunities. For example, the strictness of the selection process is assessed.
2. **Positive selection climate transition**: In this investment approach, sustainability performance is reflected by investing in transition investments, i.e., in issuers or economic activities that contribute to the transition toward climate protection. Among other things, **information** is requested on the annual greenhouse gas (GHG) emissions reduction target set for the portfolio and, if available, which IPCC reference temperature scenario is used as a basis.
3. **Positive selection environmental transition**: In this investment approach, sustainability performance is expressed in investing in transition investments, i.e., in issuers or economic activities that contribute to the transition towards environmental sustainability beyond climate.

³⁸ Note: The elements of the "ESG KPIs" section will be split within the Product Standards and Security Selection sections from the award of the FNG-Labels 2026 onward.

³⁹ To describe the publication and reporting standards of the product, see "Sustainability reporting" in the section 2.5.3 Product-Standards (20 percent weighting)

⁴⁰ Note: The elements of the "Positive selection" sub-section will be restructured within the sub-section from the award of the FNG-Labels 2026 onwards, so that the various characteristics of the thematic approaches can be advertised and evaluated more efficiently.

⁴¹ For more details on the differentiation between "transition" and "transition investments", including the associated standards, see the appendix.

⁴² For example, best-in-class/best-of-class/best-in-universe/best-effort/best-in-progress/ESG integration or similar approaches.

4. **Positive selection social transition:** In this investment approach, sustainability performance is expressed in investing in transition investments, i.e., in issuers or economic activities that contribute to the transition towards social sustainability.
5. **Positive selection of sustainable investments (EU-SFDR 2(17) and EU taxonomy):** In this investment approach, sustainability performance is expressed by investing in sustainable investments in accordance with EU-SFDR 2(17) or the EU taxonomy. For example, the specific definition of sustainable investments is reviewed, or the way in which the corresponding quotas are calculated is assessed (e.g., pass-fail vs. activity-based approach).

In addition to the positive selection processes, we also assess how consistently the corresponding approaches are applied across the portfolio. For example, the share of the portfolio that meets the negative and positive selection criteria is analyzed. The use of KPIs for concrete portfolio management is also relevant here (i.e., not only for portfolio reporting but also for security selection or for achieving a specific aggregated overall portfolio KPI).

2.5.4.2 Voting and Engagement (35 percent weighting)

This section focuses on assessing the guidelines and procedures established by product providers to raise issuers' awareness of sustainability. It evaluates the measures taken in relation to voting, active product-related engagement, and their general engagement processes to improve the sustainability performance of issuers. The following characteristics and features are analyzed:

- **Exercise of voting rights**
The product provider should demonstrate that it has drawn up and published a voting policy in which sustainability issues are clearly addressed. As the section is in the "Portfolio-Focus" category, the product provider should also demonstrate that it exercises its voting rights for share issuers in the portfolio, particularly concerning the product's sustainability-related objective. If voting rights are exercised (collectively) at the institutional or asset management level of the product provider, the connection with the applied product must be clearly explained. Accordingly, the focus is on the voting rights exercised for the portfolio holdings. It should also be shown that a report on the exercise of voting rights, which sets out the general voting activities and, if available, those voting exercises relating to social or environmental aspects, is published during the year.
The delegation of voting rights to investor communities or specialized proxy voting agencies will also be positively considered. It is also reviewed and rewarded if the product provider initiates or supports shareholder proposals relating to sustainability issues for portfolio holdings and beyond. This section does not apply to products that are not invested in equity.
- **Engagement processes**
The basic idea of engagement is to achieve clear improvements in an issuer's sustainability performance while actively exercising one's right as an owner or stakeholder of the company. Applicants should demonstrate that they have a policy on engagement activities with issuers that clearly describes the intended process. The outcomes of engagement activities should be reported on a regular basis, ideally during the year. The specific sustainability-related objective of the engagement with the issuers should be explained and ideally placed in the context of the sustainability-related objective of the product. It is helpful to describe whether, for example, a specific engagement target has been defined and scheduled in advance and whether intermediate steps for achieving the target, such as analyst conferences, meetings with business segment managers, exchanges with investor relations, or controlling tools, have been defined. In addition, applicants should clearly document how they have worked to improve the sustainability performance of an issuer as part of their own

engagement processes throughout the company or as part of collaborative engagement initiatives. The objectives of the engagement processes described should relate to sustainability aspects.

In addition, product-related engagements should be explained and ideally published. The FNG-Labels aim to achieve greater transparency regarding the engagement activities of the applicants. Therefore, applicants are expected to demonstrate that they conduct engagements on sustainability aspects with issuers in the portfolio and that they report regularly on the outcomes of these dialogues in publicly available documents. If engagement takes place at the level of the product provider, the connection to the applied product should be explained.

The mere description of the engagement processes or the existence of a policy is part of the assessment. Evidence of the substantive response to inquiries is also part of the review and assessment work.

Other notes on the FNG-Labels:

Sales prospectuses and other sales documents of the financial products are reviewed beyond the already mandatory elements of regulatory sustainability reporting only to the extent that they contain information relevant to assessing sustainability quality from the perspective of the FNG-Labels. A general review of sales prospectuses and other sales documents, as well as continuous monitoring of all portfolio holdings, is not part of the label award processes. However, ex-post portfolio screenings and random checks may be carried out. With awarding the labels, F.I.R.S.T., and the assessment team do not make any statement on the completeness, accuracy of content, profitability, or legal compliance of the offer and the investment activity of the respective product. The opposite is neither intended by the applicants nor by F.I.R.S.T., nor is it meant to be communicated to investors of the financial products being submitted for application.

The FNG-Labels do not constitute investment advice, investment brokerage, or a purchase recommendation and do not take financial criteria into account when evaluating an investment fund or similar product. Separate advice on these aspects, therefore, remains essential for investors. F.I.R.S.T. and the FNG do not provide banking or financial services and do not offer any advice regarding the purchase or sale of securities or financial instruments. Access to or use of sustainability-related content from F.I.R.S.T. or the FNG does not constitute a contractual relationship of any kind, not an advisory or information contract with F.I.R.S.T. or the FNG.

Appendix

This section contains exemptions and additions for certain assessment sections, fund and product types, and investment approaches.

Minimum requirements

Section access requirements:

Due to their specific characteristics, the following financial products or fund types can only apply for an FNG-Label after prior consultation⁴³ :

- Structured funds
- Guarantee funds
- Microfinance funds
- Private equity/Private debt funds
- Cat Bonds funds
- Fund of funds
- Certificates (structured products)
- Wealth management universes

Note: Due to the special features of the financial products and fund types mentioned above, challenges arise, for example, in the minimum requirements. This concerns, among other things, the minimum exclusions. Additionally, the often specific “use-of-proceeds focus”, and investment elements in which the “follow the money” principle applies (particularly in the case of certificates due to their nature as bearer bonds) give rise to a further need for clarification. Prior consultation is necessary to determine in advance where challenges could arise. Acceptance of the application after consultation does not automatically lead to the award of an FNG-Label.

The following provisions also apply:

ETFs can apply for a label insofar as they are physically replicating. In this case, the index formation process is the main subject of the analysis.

Section minimum exclusion criteria:

In the case of other asset classes or product categories, for which it is unfortunately not always possible to set out the respective handling in these Rules of Procedure in advance of an application, the principle of the use of proceeds or the final beneficiary applies in conjunction with the minimum exclusion criteria. For example, in the case of catastrophe bonds (cat bonds) or asset-backed securities (e.g., asset-backed securities, specifically mortgage-backed securities or cryptocurrencies), the nature of the focused investment leads to a targeted examination of the extent to which the exclusion criteria of the respective FNG-Label are included by these special investments. As it is often difficult to prove specific revenue thresholds, for example, alternative (usually inductive and internal) procedures that applicants must have in place are examined and evaluated. Ideally, applicants should initiate a conversation with F.I.R.S.T. before applying, as it is not possible to assess whether the minimum requirements are met without knowing further details. The assessment team reserves the right – particularly in cases where no comparable examples exist from past assessments – to develop an initially basic approach to the respective new asset class or product category during the ongoing FNG-Label review and assessment process. This approach is to be coordinated with F.I.R.S.T. and, at the latest, refined in consultation with the committee members during the committee meeting before the awarding of a label.

⁴³ Please contact F.I.R.S.T. e.V. - Roland Kölsch: roland.koelsch@first-ev.org, Tel: +49 1785635724.

Microfinance funds:

In the case of microfinance funds, the [exclusion criteria of the International Finance Corporation \(IFC\)](#) can also have a positive impact on the assessment, in addition to the minimum exclusions of an FNG-Label. However, they do not replace the minimum exclusion criterion in connection with the ten core principles of the UNGC.

Checking compliance with the minimum exclusions at the most granular level of all sub-borrowers is not realistic. In the case of microfinance funds, it is therefore carried out in three steps instead:

- First, applicants must prove that the minimum exclusions are contractually defined in loan agreements between the microfinance fund and the microfinance institutions (MFIs) and that compliance with them is guaranteed.
- Second, it must be possible to review the MFIs' portfolio breakdown in a regular screening process (for example, via a detailed sector screening).
- Third, it must be demonstrated that the loan disbursements by the MFIs are verified on-site by applicants through regular spot checks.

It should be noted that there can only be limited (ex-ante) verifiability about the minimum exclusions for old portfolios (existing loan agreements before the start of the application for the respective label review year), but that corresponding controversy monitoring must be in place. As soon as an adjusted or new loan agreement is concluded as part of a revolving credit facility, general contract prolongation, or new business, it must be ensured that the minimum exclusion criteria are also formally recorded in loan agreements and that the three steps described above are adhered to.

If, after an FNG-Label has been awarded, it becomes clear during the validity period that one (or more) MFIs in the applicant's portfolio are in breach of the minimum exclusions due to their lending practices, the process described in section 1.5 Non-compliance after the award of a will be initiated, which may result in an FNG-Label being withdrawn. In addition, such an incident would be an indication of non-existent or non-functioning controversy monitoring, which may also lead to the withdrawal of an FNG-Label.

Comprehensive sustainability analyses at the MFI level must be available for the entire portfolio, including legacy portfolios, as the focus here is on transparency. A microfinance fund that holds loans to MFIs in its portfolio without being able to present a comprehensive sustainability analysis for each of these MFIs, therefore, does not meet the minimum requirements of the respective FNG-Label.

Section Exclusion of countries:

The rankings and lists that are decisive for the exclusion of countries can be found under the following links:

- Ranking of free and non-free states (Freedom House): www.freedomhouse.org
- Convention on Biological Diversity (United Nations Environment Programme): <http://www.cbd.int/>
- Paris Climate Agreement: <https://unfccc.int/process/the-paris-agreement/status-of-ratification>
- Corruption Perceptions Index (Transparency International): <http://www.transparency.org/>
- Nuclear Non-Proliferation Treaty (United Nations Office for Disarmament Affairs): <https://disarmament.unoda.org/en/our-work/weapons-mass-destruction/nuclear-weapons/treaty-prohibition-nuclear-weapons>

Transition investments:

*Definition of "Transition"*⁴⁴:

Based on the definition proposed by the EU Commission, "transition" is defined as follows in the context of the FNG-Label Transition and supplemented by social aspects:⁴⁵

Transition means a transition from the current climate, environmental, and social performance levels towards a climate-neutral, climate-resilient, environmentally sustainable, and socially just economy in a timeframe that allows reaching:

- a) the objective of limiting the global temperature increase to 1.5 °C in line with the Paris Agreement and, for undertakings and activities within the Union, the objective of achieving climate neutrality by 2050 and a 55 percent reduction in greenhouse gas emissions by 2030 as established in Regulation (EU) 2021/1119 of the European Parliament and of the Council;
- b) the objective of climate change adaptation;
- c) other environmental objectives of the Union, as specified in Regulation (EU) 2020/852 as pollution prevention and control, protection and restoration of biodiversity and ecosystems, sustainable use and protection of marine and fresh-water resources, and the transition to a circular economy."
- d) the social objectives as defined by the Sustainable Development Goals (No poverty, zero hunger, good health and well-being, quality education, gender equality, etc.) by 2030.

Definition of "Transition investments":

The definition of "Transition investments" follows this understanding of "Transition":⁴⁶ "Transition investment" means an investment in an economic activity that contributes to the transition from current environmental or social performance levels towards an environmentally sustainable and socially just economy in a timeframe that allows reaching one or more of the following environmental and social objectives:

- a) the objective of limiting the global temperature increase to 1.5 °C in line with the Paris Agreement and, for undertakings and activities within the Union, the objective of achieving climate neutrality by 2050 and a 55 percent reduction in greenhouse gas emissions by 2030 as established in Regulation (EU) 2021/1119 of the European Parliament and of the Council;
- b) the objective of climate change adaptation;
- c) other environmental objectives of the Union, as specified in Regulation (EU) 2020/852 as pollution prevention and control, protection and restoration of biodiversity and ecosystems, sustainable use and protection of marine and fresh-water resources, and the transition to a circular economy."
- d) the social objectives as defined by the Sustainable Development Goals (No poverty, zero hunger, good health and well-being, quality education, gender equality, etc.) by 2030.

Provided that the economic activity **does not significantly harm** any of the sustainability objectives that they are not contributing to transition towards and if investee companies follow good governance practices with respect to sound management structures, employee relations, remuneration of staff, and tax compliance.

⁴⁴ For the terms "transition" and "transformation", please refer to the following academic paper:

<https://www.sciencedirect.com/science/article/pii/S2210422417300801>.

⁴⁵ See <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023H1425>.

⁴⁶ See <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023H1425>.

Grading model

Section Portfolio-Focus:

The established FNG-Label evaluates products with different sustainability-related objectives:

- 1) Value orientation (usually exclusions),
- 2) Management of ESG risks and opportunities (e.g. best-in/of-class),
- 3) sustainable investments in accordance with Art. 2(17) EU-SFDR or EU taxonomy (e.g. thematic approach).

Several of these objectives can be implemented via a **sustainability-related thematic approach**. For example, a thematic approach with a focus on climate can be used to implement the value orientation of corresponding investors (value orientation objective). Climate thematic approaches can also be implemented due to financial opportunities (objective of managing ESG opportunities) or as sustainable investments to justify the contribution to a sustainability objective (objective of sustainable investments).

In order to define environmental activities with a strong sustainability focus, the FNG-Label follows the EU taxonomy of the Climate Bond Initiative, insofar as the technical working groups of this initiative have already classified the sustainability focus of the industries in more detail (see: www.climatebonds.net/standard/taxonomy), the Green Bond Principles of the ICMA (see: www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/), and the EU Green Bond Standard.

In order to define social activities with a pronounced sustainability focus, the FNG-Label follows the taxonomy of the ICMA's Social Bond Principles, provided that the technical working groups of this initiative have already classified the sustainability focus of the industries in more detail (see: www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/).

Furthermore, use is made of the six thematic areas of the EU taxonomy (see Art. 9 Regulation (EU)2020/852): <https://eur-lex.europa.eu/legal-content/DE/TXT/PDF/?uri=CELEX:32020R0852> in particular: climate change mitigation, climate change adaptation, sustainable use of water resources, transition to a circular economy, pollution prevention, and protection of ecosystems and biodiversity. In addition, the delegated act to the EU taxonomy Regulation for the first two environmental objectives, climate change mitigation and climate change adaptation, has been applicable since January 2022.

The decision to include "nuclear power & natural gas" in the EU taxonomy was taken in March 2022. The supplementary delegated act for environmental objectives 1 and 2 WITH nuclear power and gas entered into force in July 2022. The new requirements must be applied from January 1, 2023. The reporting templates of the RTS for the SFDR have been adapted so that the shares of EU taxonomy-compliant activities in the areas of nuclear power and gas must be published separately. The amended reporting templates were published in the Official Journal of the European Union on February 17, 2023. However, the inclusion of these two activities does not change their assessment as part of the FNG-Label application. Furthermore, about demonstrating sustainability quality/performance and its measurement, reference is made to the corresponding subcategory "Positive selection" in section 2.5.4.1 Security selection (35 percent weighting)

Information and documents on the EU taxonomy:

- EU taxonomy Regulation:
<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852>
- Technical screening criteria for climate protection (Annex I):
https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf

- Technical screening criteria for adaptation to climate change (Annex II):
https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-2_en.pdf
- EU taxonomy compass: <https://ec.europa.eu/sustainable-finance-taxonomy/>

In addition, activities that comply with the UN Sustainable Development Goals (SDGs) are also classified as sustainable activities

(https://unstats.un.org/sdgs/indicators/Global%20Indicator%20Framework%20after%202020%20review_Eng.pdf).

Depending on the sustainability-related objective of the product, a thematic approach is evaluated accordingly in the grading model. For example, this includes an analysis of what share of the portfolio follows this strategy and how strictly the selection criteria are implemented at the issuer level.