



**ESG GUIDANCE
FINANCE NETWORK**



Nachhaltigkeit

Die ESG Investment Guidance für einen
zukunftsfähigen Investmentansatz

ESG GUIDELINES IN ENGLISCHER SPRACHE



ESG Guidance
FNI

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Inhaltsverzeichnis der ESG Investment Guidance



ESG GUIDELINES IN ENGLISCHER SPRACHE

Die ESG Investment Guidance wurde in Zusammenarbeit mit Herrn Prof. Dr. André Habisch entworfen und definiert klare Negativkriterien in bestimmten Wirtschaftssektoren. Der Guide soll das FNI beim Treffen von Handelsentscheidungen für das vereinseigene Echtgeldportfolio „Triple Three Growth Shares“ unterstützen.

Weitere Informationen:

<https://www.financenetwork.de/investment>

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Preamble, Introduction & Responsibilities

Neben der Präambel, die die ESG Investment Guidance als Projekt erläutert, wird im Rahmen der Introduction der Scope des Guides definiert. Im Bereich Responsibilities wird die personelle Struktur des Vereins erläutert, die den Rahmen für das Echtgeldportfolio darstellt.

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Preamble

Professor André Habisch as Expert for Sustainable Finance

To whom it may concern:

In my opinion it has become quite clear that institutional but also private investors nowadays are not only interested in returns when taking investment decisions but also **take into consideration** the insights of **corporate social responsibility**. Due to the remarkable work of Finance Network, our university's non-profit student-led investment club, I became aware of their 'real money project'.

Within the scope of the project, FNI wanted to develop their own standards for **ESG Investing**. When I heard about that I spoke to the club management to find out more about objectives for their initiative. I appreciate that FNI created the **ESG Investment Guidance** in order to consider specific KPIs for different economic sectors before taking an investment decision. Finance Network is setting **completely new standards with their educational initiatives** compared to other student organizations.

I am convinced that this project just **like their other initiatives will motivate members** of other investment clubs but also students from other universities to put an enhanced focus on sustainable investing. In the upcoming months the **FNI ESG Investment Guidance** will also be supplemented by topics such as **shareholder activism** and the ranking of corporate sustainability reports. By doing so they can also **lead as example** for institutional asset managers because they could use such projects for the further development of decision models for sustainable investing.

Thus, I am pleased to support FNI in this and future pioneering projects as **expert for sustainable investing**.



Professor André Habisch
FNI Expert for Sustainable Finance



André Habisch is professor for social and business ethics at Catholic University Eichstaett-Ingolstadt. His research and publication topics include ethical and sustainable finance, social innovation and sustainable entrepreneurship. He also serves as an academic coordinator of the entrepreneurship and social innovation master program. Moreover, he is a frequent visiting professor at Ben-Gurion University (Israel) and Assumption University Bangkok. He regularly supervises MA and BA theses concerning different topics of Sustainable Finance such as Shareholder Engagement, Carbon Disclosure Project etc.

Schon gewusst?

FNI Triple Three Growth Shares ist an der Börse als Endlos-Indexzertifikat über Lang & Schwarz und die Börse Stuttgart handelbar.

So kann jede interessierte Person unser Bildungsprojekt direkt unterstützen!



Introduction

ESG Guidance and the related ESG Investment Obligation



1 Introduction

This section deals with the key aspects for the ESG Investment Guidance of Finance Network's Investment Group.

1.1 Scope

The world is subject to constant change and new technologies as well as societal changes present both **risks and opportunities** for a more sustainable development of the earth for future generations.

The invested **capital** influences economic developments and the **possibility to research and develop new concepts and principles** to solve urgent problems such as environmental destruction, poverty, human rights violations and conflicts involving limited resources.

This makes it more important for investors to **deal responsibly and sustainably** with capital. Through their investment, they decide which trends will take place more intensively and where economic **priorities will be set**. By refusing to invest in nuclear energy, arms trade and companies that are proven to violate ethical and sustainable practices, investors can also contribute improving global conditions.

The Investment Group of Finance Network is aware of its responsibility and gives itself the **following binding rules and guidelines** in its **ESG Investment Guidance**, which ensure responsible and sustainable investing on the world markets.

The ESG Investment Guidance of the Investment Group of the FNI consists of two main parts. One is the **negative catalogue**, which excludes investing in certain sectors and companies from the very beginning. In addition, the Portfolio Analyst regularly **checks the assets under**

Introduction

About the ESG Guidance and the related ESG Investment Obligation

management of his division **for violations of the criteria** defined in the following sections. If a **breach of the regulations and guidelines** laid down in the following concept is detected, the relevant asset is completely excluded from the Investment Group's portfolio. Such a removal will be decided by a two-thirds majority of the authorized persons.

The other is the **positive catalogue**, which provides the portfolio team with a set of rules for evaluating and classifying the current companies in the portfolio of Finance Network according to ESG criteria.

The evaluation is based on the **best-in-class principle**. Since this is associated with a detailed analysis, the FNI can **contribute to the further education** and awareness of its members in the field of sustainability and responsible investing by means of a reasoned statement in the association's own magazine "FNI Invest". Such an evaluation of the portfolio takes place once per study semester.

All **investments** are **evaluated to the best of our knowledge** and belief and taking into account all publicly available sources according to criteria from the Principles for Responsible Investment of the United Nations, the ESG evaluation of the DVFA and corporate as well as critical NGO sources.

1.2 ESG Investment Obligation

As an association we are **aware of our responsibility** as investors towards **future generations**, but also about **current** problems and **challenges**.

In the course of **sustainable** and **responsible investing**, all direct investments in shares are first checked using the Negative catalogue. A **violation** of one of the following criteria of the Catalogue is equivalent to an **exclusion** of the relevant value of a first or further investment.

Furthermore, the Finance Network Investment Group **rates** its **investments** biannually according to a defined key on their ESG conformity. The results will then be **published electronically**.

Ingolstadt, 30th of April 2020



Andreas Mayer
Executive Chairman



Jonas Walter
Supervisory Board Chairman



Domenic Kaut
Portfolio Manager

Responsibilities

ESG Roles and Responsibilities



2 Roles and Responsibilities

This section focuses on the decision-making process within the FNI Investment Group's portfolio team in accordance with ESG rules and guidelines.

2.1 The Investment Group

A **long-term** and **diversified** investment strategy is targeted with an average investment horizon of at least three years. Our focus is on investments in **shares**.

The Portfolio Board of the Investment Group consists of a

a Investment Committee with five members,
one Portfolio Managers,
one Vice Portfolio Manager
and several Portfolio Analysts.

A **two-third majority** is required to **determine** an **investment** and trading **decision**.

Entitled to execute the trade are

- a. the Chairman and Vice Chairman of the Executive Board,
- b. the Chairman and Vice Chairman of the Supervisory Board
- c. the Portfolio Manager and the Vice Portfolio Manager
- d. as well as Head and Vice Head of the Investment Committee

of Finance Network.

Responsibilities

ESG Roles and Responsibilities

2.2 Percentage Limit Value

The Investment Group of Finance Network always **works to the best of its knowledge** and belief to ensure that its investments are **aligned with the principles of ESG Investing**. However, it may happen that companies generate a small percentage of their revenue through business operations in areas **that are excluded by the negative catalogue**.

Basic assumption 1.0

If the percentage of business activities in an investment excluded by the negative catalogue is for a **company** and her **subcompanies*** with

- a) mining
- b) defense
- c) oil and gas
- d) nuclear energy
- e) sex Industries
- f) human rights violation

less than 3 percent of the revenue (commercial accounting) or with

- g) gambling
- h) tobacco

less than 5 percent of the revenue (commercial accounting), the Investment Group has the right to **continue, reduce or exclude** the investment to the best of its knowledge and belief and consideration of all available arguments.

The **main business financing** of a negative criteria mentioned above also leads to an exclusion of the investment.

2.3 Steps for an Exclusion

If the exclusion of an investment from the association's portfolio is to be decided, the **following procedure** takes effect.

Basic assumption 2.0

1. Informing the portfolio manager and the Executive Board about the following:

- a) The injured criteria
- b) The company's proportionate revenue
- c) A proposal on the further procedure

*direct or indirect dominating influence given

Responsibilities

ESG Roles and Responsibilities

2. Convening of an **informative and advisory call** to all persons involved in the decision-making process to

3. Secret voting of the persons entitled to trade with one vote per person on

- a) Excluding
- b) Reducing*
- c) Retention*

of the corresponding asset.

The decision will **immediately** be **executed** and the public will be informed by a **message** on the trading platform “wikifolio” and/or the club’s own magazine “FNI Invest”.

For this purpose, at least the **reason, an objective assessment of the situation and a corresponding recommendation** or instruction for action must be published.



The **Defense sector** plays a critical role in providing the means for national and regional security policies. Nevertheless, Finance Network's Investment Group **excludes** investments in **organizations** involved and all business related to the **development, production, maintenance** and **trading** of **weapons**. War weapons are understood to be weapons intended for warfare. War material is understood to include all material used for warfare.

Finance Network refers to the War Weapons List as defined in the **Law on the Control of War Weapons** (annex to § 1 subsection 1) of the **Federal Republic of Germany**.

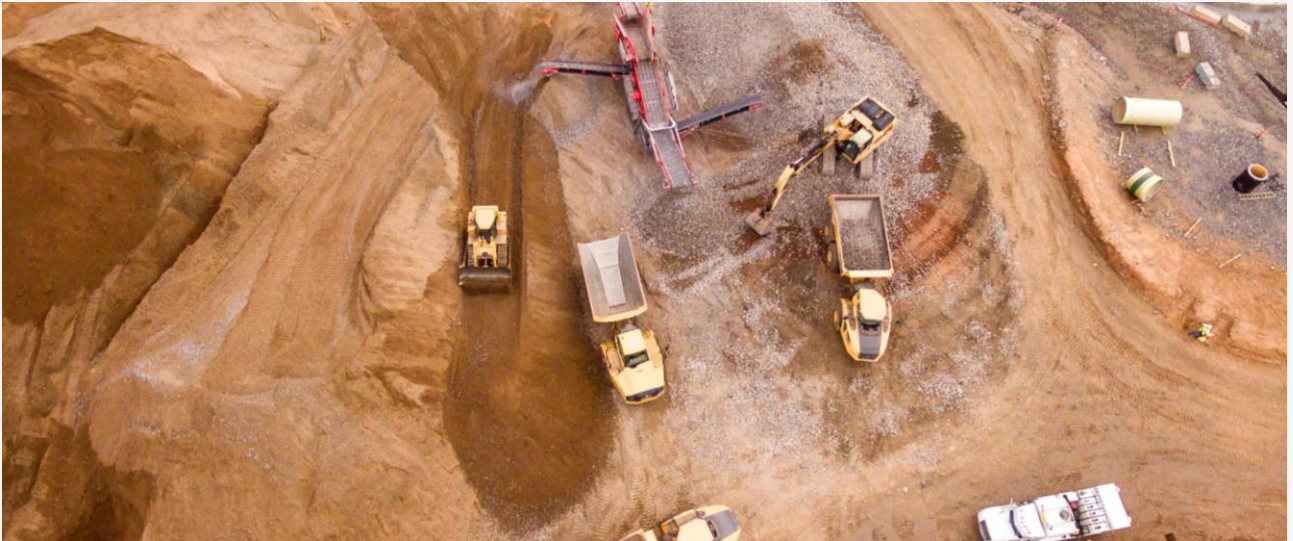
Consequently, all companies involved in the **development, production, maintenance** and **trading** of weapons in the sense with the Law on the Control of War Weapons **are excluded** from an investment from the very beginning.

§ 1

Companies involved or related to the development, production, maintenance, trading or violent use of

1. nuclear, biological or chemical weapons
2. combat aircraft and combat helicopters
3. warships, landing craft and submarines
4. battle tanks and other armored vehicles
5. missile weapons, mobile and stationary launchers
6. howitzers, artillery, landmines, naval mines
7. fully automatic and non-automatic firearms
8. torpedoes, bombs and water bombs
9. all items of equipment directly related to military warfare

are excluded from an investment.



The **mining sector** plays an **important role** in today's world economy. Especially with regard to the development and commercial production of accumulators for electric transportation.

Mining is the science, technique, and business of mineral discovery and exploitation. Numerous **industries** worldwide **depend** on the supply of commodities from underground such as minerals and metals. The dependency of various high-tech-industries on rare earths is a recent issue – coal, on the other hand, is still one of the leading **global energy resources**.

The FNI Investment Group refers to the Environmental Research of the **German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety** and does not invest in mining related business. Although major efforts have been made in recent decades to improve the environmental and social impacts of mining. Nevertheless, the extraction of earth and raw materials remains one of the **key factors** for **environmental destruction** and **social conflicts, especially in developing countries**.

§ 2

Companies that use mining technology such as open pit mining, borehole mining or deep mining to remove any of the following resources for profit-oriented purposes such as

1. element raw materials such as ores/salts/elementary Sulphur
2. energy raw materials such as hydrocarbons/coal/uranium
3. characteristic raw materials such as industrial minerals mass raw materials gemstones and semi-precious stones

are excluded from an investment.

Nuclear Energy

ESG Guidelines on Nuclear Energy



Finance Network's Investment Group accepts the decision of nation states to use nuclear power plants to produce energy.

Nevertheless, an **essential reason against nuclear energy** is the issue of the **end of life storage** and the long-term consequences for upcoming generations. Then the fission products produced during the process must be kept away from the biosphere for a long period of time until they have largely decayed.

This time ranges from a few months to several thousand years. **A risk for humans exists above all in a release during the time of storage.** With the help of different methods, an attempt could be made to reduce the necessary storage time to a few hundred years, but the processes required for this are under criticism and not ready for application. **As long as issues of storage and long-term health effects have not been satisfactorily clarified**, Finance Network's Investment Group **will not invest in companies** that generate profits from the **construction, production, distribution or operation of nuclear power plants.**

§ 3

Companies that generate profits from the

1. construction
2. production
3. distribution
4. operation

of nuclear power plants are excluded from an investment. Companies explicitly **excluded from this regulation** are those which use nuclear energy for **medical** or **scientific** purposes.

Oil & Gas

ESG Guidelines on Oil & Gas



The oil and gas sector continues to play **the dominant role in supplying the energy demand** of the global economy.

Even without accidents on land and at sea, the production, transport and use of oil and gas is an **enormous threat** to the environment and the habitat of humans and animals. Accidents involving oil tankers and the production of oil platforms cause thousands of tons of oil and gas to end up in the environment, **destroying the ecosystem** on a large scale and in a lasting way.

The use of gas flares to burn the waste products from gas production further **intensifies global warming**. In addition, large areas of forest are being cut down to explore new oil deposits, in order to gain direct access to the suspected sites.

These are only **some factors** against the production and transportation of oil and gas. As already mentioned in **chapter 4** of the Finance Network Investment Guidance, the Investment Group **does not participate in any companies** that use borehole mining for the **extraction of hydrocarbons** at sea or on land.

§ 4

Companies that use borehole mining or another technique

to generate profits from the

1. searching
2. extraction
3. distribution
4. transportation

of oil and gas at sea or land are excluded from an investment.

Sex Industries

ESG Guidelines on Sex Industries



The Finance Network Investment Group and Finance Network does not wish to be associated with any business where human rights are violated.

Furthermore, the **association demands the adherence** to national and international **regulations and laws related to pornography, prostitution and the Sex industry.**

Investing in companies **involving** in the **production, distribution and advertising** of **prostitution and pornography** is **strictly denied.**

§ 5

Companies that are involved in one of the following points using technical equipment or workforce to produce, distribute or advertise pornography in

1. the internet
2. the television
3. or any other media

to organize and promote prostitution are excluded from an investment.

Human Rights

ESG Guidelines on Human Rights



Human rights play an **essential role** in today's society in terms of their **statement** and **relevance**. Ratified by the **United Nations** and framed in 30 articles, they are one of the most important works with regard to the **understanding of the nations of the earth** and the protection of human dignity, as well as the **worldwide fight** against hunger, poverty and violence.

"All human beings are free and equal in dignity and rights."

Art. 1 AEMR

However, human rights are **knowingly ignored or intentionally violated** worldwide. Economic and political as well as social interests and conflicts play an important role. The **Investment Group of the FNI** will in no way support the violation of human rights of all individuals, regardless of ethnicity or nationality, and accordingly **will not invest in any companies**, that **have been proven to violate the following criteria**.

§ 6

Companies which have been convicted by a legal judgement or adequate media reporting in the general violation of Human Rights and have not proved that they have eliminated the mentioned circumstances and this with special focus on

1. freedom and the right to collective bargaining
2. all forms of forced labour
3. child labour
4. discrimination in employment
5. all forms of corruption, Including extortion and briber

are excluded from an investment.

Gambling

ESG Guidelines on Gambling



Juristically defined, **gambling** is understood as an activity in the event of which **certain financial assets are placed in default on the outcome of a certain circumstance**. The outcome of the game is not based on skill, which the players prove, but rather on a **stochastic principle**.

In 2015, the total turnover on the German gambling market exceeded 40 billion euros for the first time. The operators of gaming machines made more than 25 billion euros in turnover in 2015, for some years now regular increases in revenue have been achieved, this **development still seems unbroken**.

Any kind of gambling can become an addiction. **Different types of gambling cause different potential dangers**. Factors such as the rapid sequence of games or events, short payout intervals and the active participation of gamblers play a key role. The **FNI Investment Group** does **not contribute** to further **distribution** and **improved accessibility** of **gambling** of all kinds and therefore **prohibits investments in such companies**.

§ 7

Companies that offer any of the following activities available to persons for profit, such as

1. Lotto, scratch lotteries, class lotteries
2. Keno or Roulette
3. Blackjack or Poker
4. Slot machines or sports betting
5. Internet gambling or illegal gambling
6. or cash games with gambling character

are excluded from an investment.



In Germany, about **20 million people smoke every year**. The long-term as well as the short-term **effects** have been sufficiently researched and **are generally known**. Nevertheless, a large number of Germans are more or less **physically dependent** on **nicotine** and other ingredients of cigarettes or forms of tobacco consumption.

In addition to its main substance nicotine, tobacco contains **numerous other ingredients** (approx. 4,000). While nicotine is mainly responsible for the effects of tobacco, it is the **additives** that are sometimes **extremely harmful to health**. Through the exhaled smoke, these are also harmful for non-smokers.

The Investment Group of the **FNI does not invest** in companies that **earn profits** from **production, distribution** or related to tobacco in order **not to support the health damage** of (passive) smokers, especially children.

§ 8

Companies that earn profits from the

1. production
2. distribution

of tobacco or the selling of

1. cigarettes
2. other devices to smoke tobacco

are excluded from an investment.



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INGOLSTADT

Für was steht Triple Three?

Triple Three beschreibt die Handelsstrategie des FNI: Drei Hauptsektoren mit IT, Healthcare und Consumption, der auf Aktien begrenzte Handel und nachhaltiges Investieren gemäß unserer ESG Investment Guidance.



Kontakt

Wir freuen uns über Ihre Kontaktaufnahme



IHRE ANSPRECHPARTNER

Sollten Sie weitere Rückfragen haben, freuen wir uns jederzeit über Ihre Kontaktaufnahme per E-Mail oder ein telefonisches Gespräch:

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Team des FNI

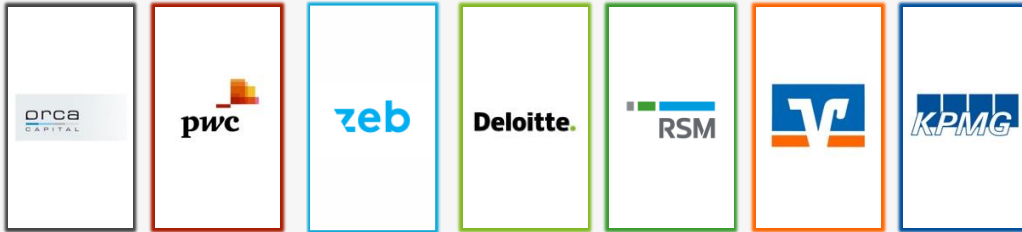
Das Team des FNI in Portraits



Unterstützer

Die Premiumpartner, die Bildungspartner, das Netzwerk & die Sachspensoren

PREMIUMPARTNER



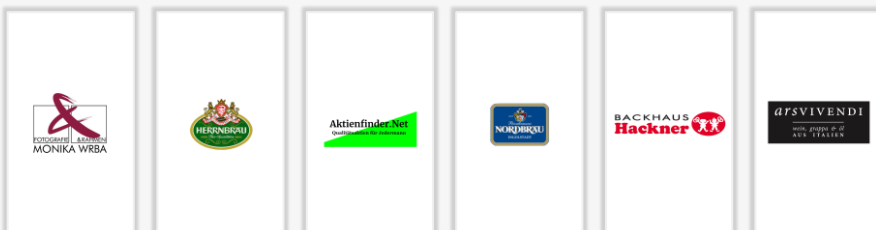
BILDUNGSPARTNER



NETZWERK



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Vorstand
Jonathan Jüde, Julius Mehl

Aufsichtsrat
Jonas Walter, Andreas Mayer

Portfolio Manager der vereins- eigenen Investment Group

Portfolio Manager
Levin Kieselhorst, Nikolaus Rohm

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