

Ethical and sustainable Investment Criteria

We Take Our Responsibility Serious

Pax-Bank fulfills its particular responsibility as a Christian bank by filtering investments on the basis of ethical and sustainable criteria. These investment criteria apply to the Pax-Bank's own assets, the range of funds it offers customers, its asset management services, and its customer deposits.

Our customers include religious, nonprofit, and social organizations and associations, public corporations and institutions, and private individuals. Pax-Bank is open to all individuals and organizations to whom Christian values play a central role.

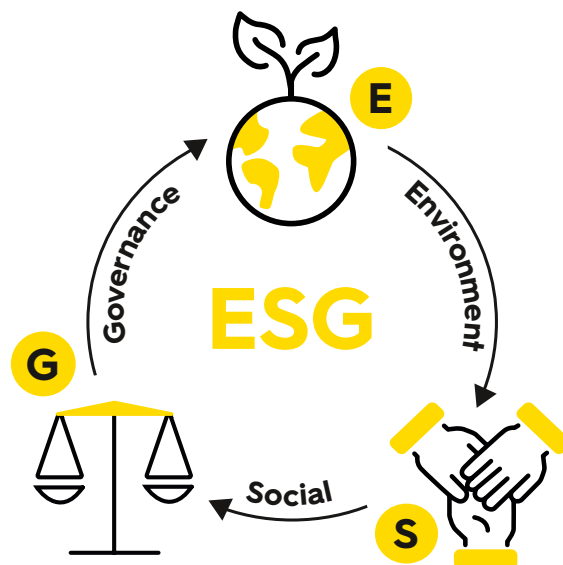
The ethical and sustainable focus of our banking activities means, in concrete terms, that Pax-Bank, to the best of our knowledge and belief, only invests in companies and countries that make a positive contribution to the principles of justice, peace, and the integrity of creation through their social and environmental conduct.

Pax-Bank employs clearly defined **exclusion criteria** and a **best-in-class approach**. This dual investment filter is the basis for ensuring that your money is invested responsibly and can therefore make a positive impact.

Responsible investing: Your funds are allocated to investments that comply with the ESG (environment, social, governance) requirements applicable to companies and countries.

Investing in line with the UN Sustainable Development Goals: Companies and countries with a positive effect on people and the environment are the goal of our investments and thus form a basis for portfolios managed by Pax-Bank. This ensures that a contribution is made to achieving the UN SDGs (Sustainable Development Goals).

For this purpose, Pax-Bank uses **MSCI ESG research** and **MSCI ESG Ratings**.



For more information, please contact your
personal advisor or visit our website at
www.pax-bank.de/ethics

Exclusion Criteria for Companies

E

Environment: Environmental Criteria



Nuclear Power:

Nuclear power plants: Owning or operating nuclear power plants

Core components: Companies that generate more than 5 % of their annual revenue from products/ services for nuclear power plants

Nuclear power: Companies that generate more than 5 % of their annual revenue from the generation of nuclear power

Uranium mining: Owning or operating uranium mines



Fossil Fuels:

Coal: Companies that mine coal (excluded starting at 0 %), generate more than 10 % of their revenue from coal-fired power generation, or possess metallurgical coal reserves

Petroleum: Companies that generate more than 5 % turnover from crude oil extraction or more than 10 % turnover with crude oil

Oil shale/tar sands: Companies that extract oil shale or tar sands or produce energy on this basis

Transformation willingness: Companies that show no willingness to switch to less carbon-intensive production methods or products, especially in the coal, oil, gas, building materials, and transportation sectors

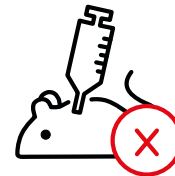


Endangering the Environment:

Green genetic engineering: Companies that generate more than 3 % of their annual revenue from “green genetic engineering”

Biodiversity: Companies that inadequately address and mitigate the impact of their business activities on biodiversity and soil/land use

Palm oil: Companies that grow oil palms and harvest fresh bunches of fruit used to make palm oil products



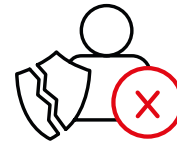
Animal Welfare:

Animal testing: Companies that conduct animal testing for nonmedical purposes and insufficiently address the issue in their business strategy (internal guidelines, external certification, or search for alternatives)

Factory farming: Factory farming companies (especially those active in meat production)

Important Note:

As an ethical and sustainable investor, it is important to us that we avoid companies that we believe are active in critical fields of business. At the same time, however, we do not claim to exclude all such companies. We view the assessment of companies as an ongoing process.

S**Social: Social Criteria Related to Society and Individuals****Armaments and Weapons:**

Cluster bombs: Companies that manufacture, distribute, or are considered suppliers of parts for cluster bombs

Antipersonnel mines: Companies that manufacture, distribute, or are considered suppliers of parts of antipersonnel mines

Handguns: Companies that manufacture or distribute handguns for civilian use

Nuclear weapons systems: Companies that manufacture nuclear weapons systems or essential escort or delivery systems

Other controversial weapons: Companies that manufacture biological or chemical weapons, blinding laser weapons, or depleted uranium munitions

Armaments: Companies that generate more than 3 % of their annual revenue from the sale of conventional military equipment

Threat to the protection of the individual:

Abortion and anti-nidation contraceptives: Manufacturers of corresponding drugs as well as operators of medical facilities that perform abortions

Stem cells: Companies that make use of research results based on the use of human embryonic stem cells

Pornography: Producers and companies with corresponding annual revenue of more than 1.5 % from this sector

Tobacco: Companies that generate more than 5 % of their annual revenue from tobacco production or from the sale of tobacco products

Gambling: Companies that generate over 5 % of their annual revenue from operating activities in this area

Important Note:

Our exclusion criteria may allow tolerance limits for low-value lines of business at major corporations. The majority of these companies' products and services meet our ESG requirements and thus remain investable, particularly for the purpose of diversifying (spreading the risk) the investment universe.

Governance: Criteria of Good Corporate Governance



Controversial Business Practices:

Corruption: Companies that inadequately address the issue of effectively curbing corruption

Controversies: Companies facing serious and structural allegations in the E, S, and G areas



Compliance with International Standards:

UN Global Compact: Adherence to the ten guiding Principles of the UN Global Compact (www.unglobalcompact.org)

UN Guiding Principles on Business and Human Rights: Adherence to the UN “Protect, Respect, and Remedy” Framework

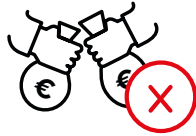
International Labour Standards (ILO): Adherence to the four core labor standards:

- Freedom of association and right to collective bargaining
- Abolition of forced labor
- Abolition of child labor
- Prohibition of discrimination in employment and occupation

Best-in-Class Approach:

In addition, Pax-Bank does not invest in companies that rank among the worst 20 % of an industry according to the “best-in-class approach” based on the MSCI ESG Rating method.

Exclusion Criteria for Countries:



Environment: Environmental Criteria

Nuclear power: Countries in which nuclear power accounts for more than 40 % of the national energy mix

Climate change: Failure to ratify the Paris Agreement

Biodiversity: Failure to ratify the UN Conventions on Biological Diversity

Greenhouse gas intensity: emissions in relation to GDP / exclusion of the worst 20 %

Governance: Good Governance Criteria

Corruption: Countries with an unreasonably high level of corruption (Corruption Perceptions Index value < 40)

Money laundering and terrorist financing: Countries with a high risk of involvement in money laundering and terrorist financing (Basel AML Index score ≥ 7)

Social: Social Criteria Related to Society and Individuals

Defense budget: Countries whose defense spending exceeds 4 % of national GDP

Nuclear arsenal: Maintaining a nuclear arsenal

Biological and chemical weapons: Failure to ratify relevant UN conventions

Civil and political liberties: Countries that restrict, prevent, or impose penalties on civil rights and liberties

Religious freedom: Countries that massively restrict individuals' freedom to practice their chosen religion

Freedom of the press: Countries with restricted freedom of the press (Freedom House score > 60)

Torture: Failure to comply with the UN Convention against Torture (CAT)

Death penalty: Active application of the death penalty



Investment Filter for Proprietary Investments:

Pax-Bank takes the above criteria into account in every decision it makes with respect to its proprietary investments (own assets). When investing in real estate funds, Pax-Bank focuses on properties designed for residential use. In this context, the emphasis is on creating affordable housing. We particularly ensure that the companies we invest in treat tenants fairly and raise their rents responsibly. Our investments also increasingly include subsidized housing.