



## Ethos Supports the UK Stewardship Code

In 2010, the Financial Reporting Council, the independent UK regulator published the UK Stewardship Code, a best practice code a best practice code for institutional investors, asset managers and consultants. Since its inception, Ethos has established practices that comply with the principles set out by the UK Stewardship Code. Ethos is of the opinion that institutional investors, asset managers and service providers, regardless of their legal domicile, should support the UK Stewardship Code.

Ethos believes that active ownership by all institutional investors is key to effectively discharging their stewardship duties and provides a benefit to the economy as a whole, by holding boards accountable and enhancing long term value creation. Therefore support for the UK Stewardship Code is a signal from institutional investors, their representatives and service providers that they adhere to high standards with regard to their stewardship duties which they are willing to publicly disclose.

On [www.ethosfund.ch/gv](http://www.ethosfund.ch/gv) you will find

- Ethos' Proxy Voting Guidelines
- Ethos' Corporate Governance Principles

Ethos -  
socially  
responsible  
investment,  
proxy vote,  
engagement

## Principle 1



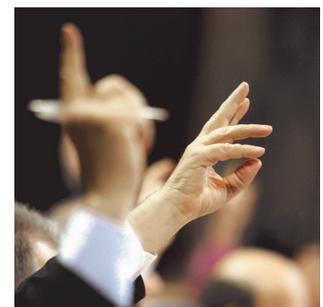
### Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities

- As a long only investor, Ethos is committed to voting its shares in investee companies. To this effect, Ethos develops voting recommendations based on its corporate governance principles and proxy voting guidelines, for each item on the agenda of general meetings. Ethos' proxy voting guidelines are based on the principles of international best practice as well as its charter, grounded on the concept of sustainable development. The guidelines also take into account local corporate governance codes and standards. The guidelines are updated on a yearly basis to reflect the latest developments in legal and regulatory frameworks as well as corporate governance best practice. Ethos' corporate governance principles and proxy voting guidelines are available on [www.ethosfund.ch/gv](http://www.ethosfund.ch/gv).
- Ethos has established a proxy voting service whereby it provides voting advisory services to its members as well as to its clients who are institutional investors, mainly pension funds and non-profit organisations.
- As Ethos votes systematically its shares in Swiss companies, Ethos contacts the companies regularly to discuss issues of concern and in particular while preparing its voting recommendations before each shareholder general meeting.
- Engaging in good quality long term dialogue is at the core of Ethos' stewardship approach. To this effect, in its home market, Ethos has established since 2004 a dialogue programme for its members and clients including over 60 Swiss pension funds and called Ethos Engagement Pool (EEP). The topics to discuss in the governance, environmental and social fields are determined at the beginning of each year by the members of the pool and Ethos conducts the dialogue on behalf of the members of the pool. A stewardship report featuring the activities of Ethos, the realisations during the year and proposals for follow up is delivered to the pool members each year.

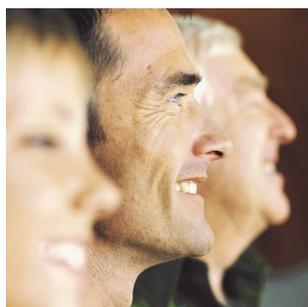
Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed

- Ethos supports the requirement for a robust policy on managing conflicts of interest relating to voting matters and engagement procedures and its disclosure.
- As independence is one of its core values, Ethos provides no paid services to issuers. Exceptions will be disclosed in an adequate manner.
- In line with Ethos' in-house policy, Ethos' staff and directors are required, upon appointment, to sign the charter of the Swiss Association of Pension Funds (ASIP) and the Ethical Code of the Association of Certified International Investment Analysts (ACIIA), which explicitly ban any activities that might entail conflicts of interest.
- Ethos' policy regarding conflicts of interest for the members of its board of trustees is included in Article 10 of Ethos Services Ltd's bylaws available on Ethos' website.

## Principle 2



## Principle 3



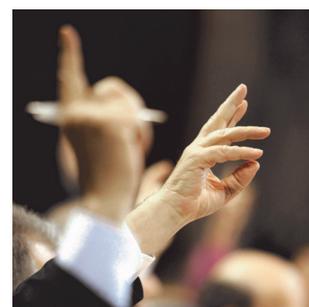
### Institutional investors should monitor their investee companies

- As an active investor, Ethos continuously monitors the appropriateness and effectiveness of investee companies' corporate governance, in particular board and committee structure, executive remuneration, capital structure and amendments of articles of association.
- For all shareholder meetings where Ethos intends to vote its shares, it issues proxy reports with detailed explanations and voting recommendations. In order to have the closest and most accurate view of a company's particular situation, during the preparation of the proxy voting reports, Ethos contacts the companies to request information and systematically follows up discussions and meetings.
- To encourage companies to improve their practices with regard to environmental, social and governance issues, Ethos, on its behalf and on behalf of the Ethos Engagement Pool regularly engages with companies on matters of concern to investors, aiming to enhance the governance standards both across the market and with regard to individual issuers.
- Ethos also dialogues with investee companies in a reactive manner, if issues are revealed that are of importance to shareholders. To be more effective, Ethos collaborates with other investors who share the same values and concerns, either directly, or by way of its participation in various investor groups or institutions (see principle 4).
- As a member of the European partnership ECGS ([www.ecgs.org](http://www.ecgs.org)), Ethos can rely on its partners for providing information and voting recommendations in their own constituencies. This enhances the monitoring of companies outside Ethos' home market.

## Principle 4

Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value

- Ethos identifies governance structures and corporate actions that raise concerns in investee companies.
- In the context of its engagement programme, Ethos engages in dialogue with Swiss listed companies in order to discuss concerns in the environmental, social and governance fields. The topics on which the engagement focuses each year are available on Ethos' website.
- In the field of remuneration, where current Swiss law gives no rights to shareholders, Ethos has led a successful "Say on Pay" campaign, supported by many of its members as well as other global investors in Switzerland and abroad, that has prompted 33 Swiss listed companies to endorse the advisory vote of their remuneration report or system in 2011.
- In most cases, the dialogue is confidential, however when the dialogue does not bear fruit, Ethos escalates its actions individually or collectively. Such escalation can take the form of:
  - Issuance of public statements before or at the general meeting
  - Filing shareholder resolutions: since inception, Ethos has submitted several shareholder resolutions in its home market and has co-filed resolutions at companies domiciled outside Switzerland.
  - Collaborating with other global institutional investors, e.g. creating a group of support of investors who share its concerns on selected topics, such as "Say on Pay" for shareholders, to exert pressure on issuers, raise awareness in the investment community, with the authorities and civil society.
- Regarding companies included in its international portfolios, Ethos collaborates with institutional investors in the country or region of the company where the company is domiciled to benefit from more in-depth knowledge and experience.



## Principle 5



**Institutional investors should be willing to act collectively with other investors where appropriate**

- Ethos regularly communicates with other institutional investors and often participates in collaborative engagement actions, in particular when announced on the UN PRI Clearinghouse platform.
- Ethos participates in international conferences and forums and takes public positions on issues related to shareholder rights and obligations.
- Ethos acts with other investors with regard to co-filing shareholder resolutions outside its home market.
- Ethos has regular contacts with the Swiss legislative, regulatory and listing authorities regarding matters of importance and is called to give its opinion.
- Ethos participates in several international organisations such as Eurosif, the UN PRI, the International Corporate Governance Network (ICGN), the Interfaith Center of Corporate Responsibility (ICCR), the French Association of Corporate Governance (AFGE), Transparency International (Switzerland).
- Ethos also participates in investor groups such as the Carbon Disclosure Project (CDP), the Extractive Industries Transparency Initiative (EITI) and the Institutional Investors Group on Climate Change (IIGCC).

## Principle 6

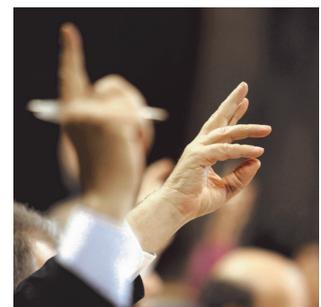
**Institutional investors should have a clear policy on voting and disclosure of voting activity**

- In order to vote in a consistent manner over many jurisdictions, Ethos has established voting guidelines based on its corporate governance principles which are applicable to companies located in Switzerland and abroad and are available on its website.
- Ethos believes that investors should seek to vote their equities across all markets. Ethos votes all its shares in all the meetings of Swiss investee companies and votes its holdings and those of its clients in as many companies as practicable in other markets.
- Ethos supports the code's requirement for public voting record disclosure by institutional investors. As a consequence, Ethos' voting positions for Swiss companies are publicly available on its website two days before each meeting and the detailed voting records for Swiss and non Swiss companies are available on a quarterly basis.

## Institutional investors should report periodically on their stewardship and voting activities

## Principle 7

- Ethos discloses its position on significant matters through its “news” release system. Ethos issues “Ethos Quarterly”, a quarterly newsletter to its members, clients and subscribers. Ethos also regularly publishes studies as well as position papers on various topics in the field of corporate governance as well as on social and environmental issues.
- With regard to voting at shareholder general meetings, disclosure of Ethos’ voting positions on its website allows the investee companies and all their stakeholders to have a full overview of Ethos’ voting activity and assess the consistency of voting positions with Ethos’ corporate governance principles and proxy voting guidelines.
- Ethos publishes its engagement topics on its website as well as the list of Swiss pension funds that are members of the Ethos Engagement Pool.
- Ethos’ internal control system is audited annually by the external auditor.



The **Ethos Foundation** was founded in 1997 and aims at promoting socially responsible investment as well as a stable and prosperous socio-economic environment. Ethos is composed of more than one hundred Swiss pension funds and non-profit organisations.

The Foundation owns the company **Ethos Services** which conducts all investment and consulting activities on behalf of the Foundation. Specialising in socially responsible investment, Ethos Services offers a range of investment funds and asset management mandates managed according to sustainable development principles. In addition to this, Ethos Services provides analysis of general meeting agendas, assistance with exercising shareholder voting rights and creating a dialogue program with companies.

For further information: [www.ethosfund.ch](http://www.ethosfund.ch)



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