























unnecessary or superfluous suffering to combatants (principle of proportionality)

#### EXCLUSION THRESHOLD

Companies active in the production of such weapons or of their essential components are excluded regardless of their level of involvement or turnover.

## 2.2 TOBACCO

Because of the health problems associated with tobacco use, the costs of which are for the most part borne by civil society, Ethos does not wish to invest in and thereby contribute to this sector.

#### DEFINITION

The tobacco criterion refers to the production of cigarettes, cigars or pipe tobacco and includes firms whose primary activity is to trade in tobacco and/or to distribute unprocessed tobacco wholesale to cigarette manufacturers or similar activities. This definition also includes the production of electronic cigarettes that may contain nicotine and of smokeless tobacco (heated or oral tobacco products)

#### EXCLUSION THRESHOLD

Companies that generate more than 5% of their turnover in this sector are excluded.

## 2.3 GAMBLING

Because of the potentially destructive nature of gambling (organised crime, money laundering, etc.) and its impact on individuals and their families, Ethos excludes companies active in this sector from its investments.

#### DEFINITION

The gambling criterion refers to the operation of casinos and race courses, the production of slot machines, and to companies that lend money on casino premises.

#### EXCLUSION THRESHOLD

Companies that generate more than 5% of their turnover in this sector are excluded

## 2.4 ADULT ENTERTAINMENT

Adult entertainment is contrary to the principle of respect for human dignity and potentially destructive in nature (links with organised crime, discrimination and sexual violence, etc.). Ethos therefore excludes companies active in this sector from its investments.

#### DEFINITION

The adult entertainment criterion refers to the production of representations of sexually degrading acts that violate human dignity and to the active distribution of such content via channels such as the media, shops or the internet.

#### EXCLUSION THRESHOLD

Companies that generate more than 5% of their turnover in this sector are excluded.

## 2.5 GENETICALLY MODIFIED ORGANISMS (GMO) IN THE AGROCHEMICAL INDUSTRY

Ethos considers that the development and/or production of GMO goes against the precautionary principle, harms biodiversity and has negative social impacts which are often tied to the production methods. Ethos therefore excludes companies active in this field from its investment funds.

#### DEFINITION

The GMO criterion refers to agrochemical activities. It covers companies that actively promote GMO by developing and producing genetically modified organisms, transgenic seeds and in some cases related products. The exclusion does not apply to the medical field.

#### EXCLUSION THRESHOLD

Companies that generate more than 5% of their turnover in this sector are excluded.

## 2.6 NUCLEAR ENERGY

Nuclear energy presents risks both in terms of the hazards related to the widespread dissemination of radioactive elements in the event of an accident and of the unresolved problem of nuclear waste passed on to future generations. Ethos does not want to promote this



uses large amounts of energy and water as well as the use of chemicals, which cause significant GHG emissions. Fracking leads to groundwater contamination by potentially carcinogenic agents, soil degradation, high levels of air pollution and water scarcity in the affected areas. It can also increase the risk of earthquakes. In addition, a considerable amount of methane is released into the atmosphere during the extraction process. The impact of methane on global warming is approximately 25 times greater than that of CO<sub>2</sub>.

#### DEFINITION

The criterion of fossil fuels extracted by hydraulic fracturing refers to the extraction of crude oil and gas by hydraulic fracturing and the production of hydraulic fracturing technology or components essential to this activity.

#### EXCLUSION THRESHOLD

Companies that generate more than 5% of their turnover in this sector are excluded.

### 2.8.3 ARCTIC OIL AND GAS

Drilling for oil and gas in the Arctic involves considerable operational and financial risks due to the extreme conditions in this region. An unintended oil spill would endanger unique ecosystems and affect the ecological balance worldwide. In addition, the weather conditions would make it very difficult to organize relief efforts and restore extraction sites.

#### DEFINITION

The Arctic oil and gas criterion refers to both offshore and onshore extraction and exploitation of oil and gas in the region above the Arctic Circle.

#### EXCLUSION THRESHOLD

Companies that generate more than 5% of their turnover in this sector are excluded.

### 2.8.4 TRANSPORT IN OIL AND GAS PIPELINES AND STORAGE OF UNCONVENTIONAL FOSSIL FUELS

Service providers for the transport in oil and gas pipelines and for the storage of unconventional fossil fuels contribute directly and actively to the development of these energy sources. In addition, the construction of oil and gas pipelines and storage sites often violates the rights of indigenous people. Furthermore, their construction and use give rise to considerable concerns about the environmental and health risks in the event of a possible accident.

#### DEFINITION

This criterion refers to developers and operators of oil and gas pipelines and storage sites for unconventional fossil fuels.

#### EXCLUSION THRESHOLD

Companies that generate more than 5% of their turnover in this sector are excluded.





















# 7. Principle of exercising shareholder voting rights

## PRINCIPLE 7 : EXERCISE SHAREHOLDER VOTING RIGHTS

Ethos systematically exercises its shareholder voting rights in line with its proxy voting guidelines based on best practice in corporate governance. The proxy voting guidelines and the proxy voting positions are published online.

The use of the rights provided to shareholder by company law is an integral part of the fiduciary duty of institutional investors and of the Ethos SRI principles. As a long-term investor, Ethos commits to voting at the general meeting of shareholders of the companies in its investment funds. To this effect, Ethos formulates proxy voting positions for each agenda item in line with the Ethos corporate governance principles and proxy voting guidelines.

Ethos prepares voting recommendations for all of the Swiss companies included in the main index (SPI) of the Swiss Stock Exchange. These voting recommendations are applied by the Ethos investment funds. In parallel, Ethos has set up a voting service for its members and clients (mainly pension funds and charitable organisations).

### 7.1 PROXY VOTING GUIDELINES

The Ethos corporate governance principles and proxy voting guidelines are based on international best practice as well as on the Ethos charter focused on the concept of sustainable development. The guidelines also take into account local standards and practice in terms of corporate governance. The Ethos proxy voting guidelines are reviewed annually in order to take into account the latest regulatory and legal developments as well as evolving corporate governance best practice. The proxy voting guidelines are approved by the board of Ethos Foundation.

The Ethos corporate governance principles and proxy voting guidelines are available on the Ethos website.

### 7.2 DETAILED ANALYSIS OF THE GENERAL MEETING OF SHAREHOLDERS AND COMMUNICATION WITH THE COMPANIES

Ethos conducts a proprietary analysis of the agenda of listed Swiss companies and systematically exercises the voting rights attached to the shares held. The analysis of foreign companies is carried out by external service providers. Ethos implemented a systematic control framework to ensure alignment between the recommendations formulated by the external providers and the Ethos proxy voting guidelines. Before conducting its analysis and if needed to have the best possible understanding of the current situation of a company, Ethos contacts companies directly to ask for additional information. Afterwards, these discussions and meetings continue in a systematic manner.

Ethos informs each analysed Swiss company about its voting positions on each agenda item. However, the detailed analysis is communicated to the companies only after the general meeting of shareholders has been held.

### 7.3 TRANSPARENCY WHEN EXERCISING VOTING RIGHTS

Institutional investors manage the assets of third parties. Transparency when exercising voting rights is an integral part of the fiduciary duty of institutional investor and of the Ethos SRI principles.

Ethos publishes its voting positions on its website two working days before the general meeting of shareholders takes place.

# 8. Principle of engaging company management

## PRINCIPLE 8 : ENGAGE IN DIALOGUE WITH COMPANY MANAGEMENT

Ethos conducts a direct dialogue with companies on ESG issues and supports collaborative engagement initiatives in line with its charter.

Conducting a high-quality and long-term dialogue with companies is at the heart of the Ethos approach. To this effect, Ethos conducts a direct dialogue with Swiss- listed companies, in order to systematically discuss ESG issues. For companies listed outside of Switzerland, Ethos focuses on indirect engagement by joining forces with other institutional investors and participating in collaborative engagement initiatives.

### 8.1 MONITORING OF PORTFOLIO COMPANIES

As an active investor, Ethos monitors the corporate governance level of portfolio companies as well as their awareness of environmental and social challenges. For Swiss companies the ESG monitoring is carried out internally. All companies in the Swiss Performance Index (SPI) are analysed. For the basic monitoring of non-Swiss companies, Ethos relies on external ESG data providers. An in-house analysis is done for the main ESG challenges as described in chapters 2, 3 and 4 of the Ethos SRI principles.

Ethos identifies the companies with potential for improvement in terms of ESG challenges and enters into a dialogue with these companies, either directly or collaboratively.

### 8.2 CONDUCTING A DIRECT DIALOG WITH COMPANY MANAGEMENT

The direct dialogue is conducted by Ethos for Swiss shares and for preselected non-Swiss shares in its investment funds and as mandated by its programmes for corporate engagement (Ethos Engagement Pool (EEP) Suisse and EEP International). The ESG issues for engagement are determined each year by the members of the pools. Ethos actively contacts the companies and commits to responding to each company that wishes to lead a dialogue with Ethos. The dialogue is carried out through letters and email, telephone conferences or in-person meetings.

To support its engagement activities, Ethos publishes papers on specific engagement topics with the aim to outline the expectations of institutional investors. Each year, Ethos prepares a report for the participants in the Ethos Engagement Pool – EEP. This report describes the activities, evaluates the progress made during the year and suggests if and how a dialogue should continue. The issues on which Ethos engages are communicated online on an annual basis.

### 8.3 INTERNATIONAL COLLABORATIVE ENGAGEMENT

In order to engage companies included in its international portfolios, Ethos collaborates with institutional investors in the country or the region where the company is domiciled in order to benefit from local knowledge and experience. Ethos regularly communicates with other institutional investors and participates in collaborative engagement initiatives. The objectives of the initiatives supported by Ethos must be in line with the Ethos charter. Ethos management is responsible for selecting the initiatives to support and for compiling a detailed yearly report.

A specific engagement program (EEP international) allows other Swiss institutional investors to also support international initiatives by giving Ethos a mandate to select the most important collaborative engagement initiatives. When these investor initiatives target Swiss companies, Ethos aims to take on an active role.



# 9. Principle of intensifying active ownership measures

## PRINCIPLE 9 : INTENSIFY ACTIVE OWNERSHIP MEASURES WHERE NECESSARY

Ethos can intensify the active ownership measures by intervening at the general meeting of shareholders, filing shareholder resolutions, joining shareholder groups, or going to court. These measures are taken when the dialogue is blocked, and it is necessary to defend the long-term interests of shareholders and other stakeholders.

In case Ethos identifies problematic corporate governance structures and difficult activities of portfolio companies a direct dialogue is initiated. In most cases, the dialogue is confidential. However, when the dialogue does not yield the expected results, Ethos takes steps to intensify the measures in use.

### 9.1 INTERVENTION AT THE GENERAL MEETING OF SHAREHOLDERS

Ethos can make public declarations before or during the general meeting of shareholders, for example in cases where the board refuses to take adequate measures to fix major flaws in the corporate governance or in the environmental and social responsibility of a company.

A declaration at the general meeting of shareholders might also be necessary to support the board, for example when a company becomes the target of investors with a short-term horizon who do not respect the interest of all stakeholders.

### 9.2 FILE A SHAREHOLDER RESOLUTION

If different measures taken do not produce any results and an overwhelming interest in changing a certain practice of a specific company, Ethos may file a

shareholder resolution at the general meeting of shareholders. The same resolution can be filed at several companies to help evolve the general market practice of companies in terms of corporate governance or environmental and social responsibility.

### 9.3 UNITE WITH OTHER SHAREHOLDERS

In order for the dialogue to have more impact or to get more support for a shareholder resolution, Ethos can form and promote support groups made up of like-minded investors. The aim of such groups is to increase the pressure on company management by mobilising the investor community, civil society and potentially, government agencies.

### 9.4 TAKE A LEGAL ACTION

When the long-term interests of the company and its stakeholders are at risk and none of the measures of intensification have borne fruit, Ethos reserves the right to take legal action to defend its long-term shareholder interests and those of the shareholders it represents.

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