



# European SRI Transparency Code

Ethos –  
Equities Sustainable World ex CH

The **Ethos Foundation** is composed of more than 220 tax-exempt Swiss pension funds and institutions. Founded in 1997, its aim is to promote socially responsible investment and to foster a stable and prosperous socio-economic environment.



**Ethos Services SA** provides management and advisory services in the field of socially responsible investments. Ethos Services offers socially responsible investment funds, analyses of shareholders' general meetings with voting recommendations, a programme of dialogue with companies as well as environmental, social and corporate governance ratings and analyses. Ethos Services is owned by the Ethos Foundation and several members of the Foundation.



[www.ethosfund.ch](http://www.ethosfund.ch)

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# Foreword

The European SRI Transparency Code (the Code) focuses on SRI funds distributed publicly in Europe and is designed to cover a range of assets classes, such as equity and fixed income.

All information pertaining to the European SRI Transparency Code can be found at the following website: [www.eurosif.org](http://www.eurosif.org). The Code comes with a Guidance Manual for fund managers on how to best use and respond to the Code. The present version of the Code was approved by the Board of Eurosif on February 19, 2018.

## Revision of the Code

In 2017 the Code was updated to better reflect the continuing evolution of the European SRI market. A Working Group was set up to facilitate revision of the Code in line with the latest developments in the industry and in view of the latest work carried out by experts at the European and global level.

Applications to sign up to the Code will now be in line with key elements of the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), Article 173 of the French TECV Act and the latest recommendations made by the High-Level Group of Experts on Sustainable Finance (HLEG) in its final report published in January 2018. Questions that are specifically designed to reflect those recommendations/legislation are indicated in the Code with footnotes.

## Two key motivations underpin this Code

1. The opportunity for retail SRI funds to provide clarification to investors and other stakeholders about their SRI approach in an easily accessible and comparable format.
2. Proactive strengthening of self-regulation to contribute to the development and promotion of SRI funds by setting up a common framework for transparency best practices.

## Guiding principle

Signatories to the Code should be open and honest and should disclose accurate, adequate and timely information to enable stakeholders,

especially consumers, to understand the ESG policies and practices of the fund.

## Commitments by signatories

- The order and exact wording of the questions should be followed;
- Responses should be informative and clear, and the resources and methodologies used should be described in as much detail and as precisely as possible;
- Funds should report data in the currency that they use for other reporting purposes;
- Reasons preventing the fund from providing all or part of the information to a given question should be clearly stated and, in such cases, signatories should state when they will be able to answer the question;
- Responses should be updated at least on an annual basis and should have a precise publication date;
- Responses to the Code should be easily accessible from the website of the fund and/or of the fund manager. In any case, signatories should make it clear where to find the information required by the Code;
- Signatories are solely responsible for the answers to the questions, and should state this in their response.

## Statement of Commitment

Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of Banque Cantonale Vaudoise and Ethos Services SA. We have been involved in SRI since respectively 2019 and 1997 and welcome the European SRI Transparency Code.

This is our first joint statement of commitment and covers the period 01.10.2022 to 30.09.2023. Our full response to the European SRI Transparency Code can be accessed below and is available on our websites.

## Compliance with the Transparency Code

Banque Cantonale Vaudoise and Ethos Services SA are committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive

environments that exist in the countries in which we operate. Banque Cantonale Vaudoise and Ethos Services SA meet the full recommendations of the European SRI Transparency Code.

**30.09.2022**

# Eurosif classification of Sustainable and Responsible Investment strategies

**Sustainability Themed Investment:** investment in themes or assets linked to the development of sustainability. Thematic funds focus on specific or multiple issues related to ESG. Sustainability Themed Investments inherently contribute to addressing social and/or environmental challenges, such as climate change, eco-efficiency and health. Funds are required to perform an ESG analysis or screening of investments in order to come under this category.

**Best-in-Class Investment Selection:** approach according to which leading or best-performing investments within a universe, category or class are selected or weighted based on ESG criteria. This approach involves the selection or weighting of the best-performing or most improved companies or assets as identified by ESG analysis within a defined investment universe. This approach includes best-in-class, best-in-universe and best-effort.

**Norms-Based Screening:** screening of investments according to their compliance with international standards and norms. This approach involves the screening of investments based on international norms or combinations of norms covering ESG factors. International norms on ESG are those defined by international bodies, such as the United Nations (UN).

**Exclusion of Holdings from Investment Universe:** an approach that excludes specific investments or classes of investment from the investible universe, such as companies, sectors or countries. This approach systematically excludes companies, sectors or countries from the permissible investment universe if they are involved in certain activities based on specific criteria. Common criteria include weapons, pornography, tobacco and animal testing. Exclusions can be imposed at the individual fund or mandate level, but also increasingly at the asset manager or asset owner level, across the entire product range of assets. This approach is also referred to as ethical or values-based exclusion, as exclusion criteria are typically based on the choices made by asset managers or asset owners.

**Integration of ESG Factors into Financial Analysis:** the explicit inclusion by asset managers

of ESG risks and opportunities in traditional financial analysis and investment decisions based on a systematic process and appropriate research sources. This category covers explicit consideration of ESG factors alongside financial factors in the mainstream analysis of investments. The integration process focuses on the potential impact of ESG issues on company financials (positive and negative), which in turn may affect the investment decision.

**Engagement and Voting on Sustainability Matters:** engagement activities and active ownership through voting of shares and engagement with companies on ESG matters. This is a long-term process that seeks to influence behaviour or increase disclosure. Engagement and voting on corporate governance are necessary, but are not sufficient in themselves for inclusion in this category.

**Impact Investing:** impact Investments are investments in companies, organisations and funds with the intention of generating a social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below market-to-market rate, depending upon the circumstances. Investments are often project-specific and distinct from philanthropy, as the investor retains ownership of the asset and expects a positive financial return. Impact investing includes microfinance, community investing, social business/entrepreneurship funds and French fonds solidaires.

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# 1 List of funds covered by the Code

Name of the fund: Ethos II – Ethos Swiss Sustainable Equities					
Dominant/preferred SRI strategy (Please choose a maximum of 2 strategies)	Asset class	Exclusions standards and norms	Fund capital as at 31.08.22	Other labels	Links to relevant documents
<input checked="" type="checkbox"/> Best-in-Class Investment section <input checked="" type="checkbox"/> Engagement & Voting <input type="checkbox"/> ESG Integration <input type="checkbox"/> Exclusions <input type="checkbox"/> Impact Investing <input type="checkbox"/> Norms-Based Screening <input type="checkbox"/> Leading to exclusions <input type="checkbox"/> Leading to risk management analysis/engagement <input type="checkbox"/> Sustainability Themed	<b>Passively managed</b> <input type="checkbox"/> Passive investing – core benchmark: specify the index tracking <input type="checkbox"/> Passive investing – ESG/SRI benchmark: specify the index tracking  <b>Actively managed</b> <input type="checkbox"/> Shares in a euro area country <input type="checkbox"/> Shares in an EU country <input checked="" type="checkbox"/> International shares <input type="checkbox"/> Bonds and other debt securities denominated in euro <input type="checkbox"/> International bonds and other debt securities <input type="checkbox"/> Monetary assets <input type="checkbox"/> Short-term monetary assets <input type="checkbox"/> Structured funds	<input checked="" type="checkbox"/> Controversial weapons <input type="checkbox"/> Alcohol <input type="checkbox"/> Tobacco <input checked="" type="checkbox"/> Arms <input checked="" type="checkbox"/> Nuclear power <input checked="" type="checkbox"/> Human rights <input checked="" type="checkbox"/> Labour rights <input checked="" type="checkbox"/> Gambling <input checked="" type="checkbox"/> Porno-graphy <input checked="" type="checkbox"/> Animal testing <input checked="" type="checkbox"/> Conflict minerals <input checked="" type="checkbox"/> Biodiversity <input checked="" type="checkbox"/> Deforestation <input checked="" type="checkbox"/> CO2 intensive (including coal) <input checked="" type="checkbox"/> Genetic engineering <input checked="" type="checkbox"/> Global Compact <input checked="" type="checkbox"/> OECD Guidelines for MNCs <input checked="" type="checkbox"/> ILO Conventions <input checked="" type="checkbox"/> Other (please specify)  <b>Unconventional fossil fuels</b> (Oil sands, Shale gas and oil, Arctic oil and gas as well as Transport of unconventional fossil fuels in oil and gas pipelines)	CHF 96'881'058	<input type="checkbox"/> French SRI label <input type="checkbox"/> French TEEC label <input type="checkbox"/> French CIES label <input type="checkbox"/> Luxflag Label <input type="checkbox"/> FNG Label <input type="checkbox"/> Austrian Ecolabel <input type="checkbox"/> Other (please specify)	- KIID - Prospectus - Management report (quarterly report) - Financial and non-financial reporting (factsheet, annual sustainability report) - Proxy vote report  All those documents are available on the Ethos' website: <a href="#">LINK</a> or on the Gërifonds' website: <a href="#">LINK</a>

## 2 General information about the fund management company

### 2.1 Name of the fund management company that manages the applicant fund(s)

This code applies to Ethos - Equities Sustainable World ex CH (the Fund) which is managed by Banque Cantonale Vaudoise (BCV) and promoted by Ethos Services SA (Ethos). ESG research, proxy voting and company engagement is conducted by **Ethos**.

#### **Banque Cantonale Vaudoise**

Place St-François 14  
1003 Lausanne  
Tel. +41 21 212 33 34  
[www.bcv.ch](http://www.bcv.ch)

Contact person:

Bruno Férolles, Head of Asset Management  
([bruno.ferolles@bcv.ch](mailto:bruno.ferolles@bcv.ch))

#### **Ethos Services SA**

Place Pont-Rouge 1  
1211 Geneva 26  
Tel. +41 22 716 15 55  
[www.ethosfund.ch](http://www.ethosfund.ch)

Contact person:

David Jeannet, Head Responsible Investment and  
ESG International  
([djeannet@ethosfund.ch](mailto:djeannet@ethosfund.ch))

### 2.2 What are the company's track record and principles when it comes to integrating SRI into its processes?

#### **BCV**

BCV is a universal bank with solid local roots. As the regional bank of Vaud Canton in Switzerland, our mission is to contribute to the development of all branches of the Vaud economy, in both the public and private sectors. Since 2007, our mission has also included a particular focus on the principles of economically, environmentally, and socially sustainable development. We are committed to fulfilling our mission in accordance with these principles, and for more than a decade, our business model has targeted sustainable growth, a moderate risk profile, and strong, long-term profitability. More generally, our mission is to create value for our shareholders and customers, to be a benchmark employer, and to be a good corporate citizen. BCV offers a broad range of investment solutions for our private and institutional clients. We are committed to integrating sustainability criteria across our entire product range and offering our clients specifically SRI-themed solutions. For that reason, over the last few years we have worked to expand our SRI offering and gradually integrate ESG criteria into our current investment product range. To reach these goals, we have chosen to build strong partnerships in the field of SRI. Since 2019, we have been working with the University of Lausanne on applied SRI-related research projects. More recently, we entered into a partnership with independent service provider Ethos Services SA, a pioneer and leader in the field of sustainable finance in Switzerland, which has allowed us to expand our product offering with a full range of best-in-class investment funds.

<https://www.bcv.ch/en/About-us/Corporate-Social-Responsibility>

#### **Ethos**

Since 1997, Ethos is specialized in the field of socially responsible investment (SRI) and mainly serves institutional investors. The integration of environmental, social and corporate governance (ESG) factors is at the core of Ethos' philosophy and activities. Ethos' responsible investment philosophy is based on [Ethos](#)



[Foundation's Charter](#) as well as on [Ethos' eight principles for SRI](#) which outline how Ethos aims to generate a sustainable long-term return for its clients.

In accordance with its articles of association, Ethos actively participates in the public debate and conducts studies on ESG issues that contribute to foster the implementation of SRI in Switzerland and abroad.

Based on its fully integrated sustainable philosophy, Ethos provides the following business offerings to its clients:

- Sustainability assessments
- Active ownership services
- Sustainable investment solutions

## 2.3 How does the company formalise its sustainable investment process?

The policies outlined above cover Ethos' framework for integrating principles for responsible investment as well as fiduciary duties of investors throughout the entire investment lifecycle. This includes:

- ESG considerations in stock selection through product-based screening, conduct-based screening and ESG assessments of companies.
- Defining an approach to climate change and how Ethos aims to mitigate climate change risks related to its investment funds.
- Identifying Active Ownership duties, i.e. how Ethos exercises its shareholder voting rights and engages companies on ESG issues.

Ethos' investment strategy therefore aims to invest in companies that primarily consider the natural environment as an economic challenge, respond to their key stakeholders' concerns, integrate a social dimension into their corporate policies and comply with best practice standards in the field of corporate governance.

### BCV

Our philosophy is that SRI should be implemented without adversely affecting our portfolios' risk-adjusted return or increasing their active risk relative to the benchmark. We believe that by taking account of the non-financial risks a company is exposed to, we can make our portfolios more resilient to ESG risks, reduce our exposure to controversies, and ultimately decrease our overall tail risk. Incorporating ESG criteria also incentivizes companies to improve their practices, thereby creating a virtuous cycle.

For delegated investment management, the implementation of asset allocation choices is applied within the framework of the Bank's SRI policy. As a result, all the main principles of BCV's SRI approach are reflected in our delegated management solutions. BCV offers management mandates as well as a full range of investment funds and structured products that incorporate ESG criteria. In addition, thematic and specific solutions that meet higher ESG standards are incorporated into various delegated management proposals, to meet the needs of clients who are particularly concerned by ESG issues. Asset Management specialists constantly check that the orientation of the portfolios is aligned with the expectations of the clients and thus meets the financial and SRI objectives set for each of the ranges of the investment offer.

<https://www.bcv.ch/en/About-us/Corporate-Social-Responsibility>

### Ethos

- Charter of the Ethos Foundation: [https://www.ethosfund.ch/sites/default/files/2017-01/EF\\_Charte\\_2012\\_EN.pdf](https://www.ethosfund.ch/sites/default/files/2017-01/EF_Charte_2012_EN.pdf)
- Ethos' 8 Principles of responsible investing: [https://www.ethosfund.ch/sites/default/files/2020-03/2020\\_Principes\\_Ethos\\_pour\\_ISR\\_EN\\_web.pdf](https://www.ethosfund.ch/sites/default/files/2020-03/2020_Principes_Ethos_pour_ISR_EN_web.pdf)

### BCV (voting policy for Swiss companies)

[https://www.gerifonds.ch/sites/default/files/2021-06/pv\\_fr\\_479\\_bcvswissequity\\_0621.pdf](https://www.gerifonds.ch/sites/default/files/2021-06/pv_fr_479_bcvswissequity_0621.pdf).

For Ethos funds managed by BCV, the Ethos voting policy applies.

Ethos

- [https://www.ethosfund.ch/sites/default/files/2020-12/LDPCG\\_Ethos\\_2021\\_EN.pdf](https://www.ethosfund.ch/sites/default/files/2020-12/LDPCG_Ethos_2021_EN.pdf)

BCV: n/a

Ethos

- [https://www.ethosfund.ch/sites/default/files/2017-03/Ethos\\_Engagement\\_Policy\\_EN\\_web.pdf](https://www.ethosfund.ch/sites/default/files/2017-03/Ethos_Engagement_Policy_EN_web.pdf)

## 2.4 How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company?<sup>1</sup>

Ethos defines materiality from a sustainability perspective by analysing which ESG topics have an impact not only on the core business of an issuer, but also on any other stakeholders, such as employees, suppliers, the environment and/or society as a whole. This 360-degree analysis enables Ethos to assess ESG issues that are likely to impact negatively or positively the financial condition or operating performance of a company as well as the direct and indirect environmental and social impacts associated with its activities.

Ethos has developed a unique in-house methodology that takes into consideration the specificity of the issuer (sector, impact, size, geographic location, etc.) as well as sector specific issues in order to attribute specific ESG indicators and weighting to each issuer. The result of this assessment is a comprehensive evaluation of an issuer's organisation, policies and management systems with respect to the environmental and social challenges they face. This approach allows the identification of forward-thinking issuers that are leaders in their industries when it comes to managing ESG issues.

## 2.5 How many employees are directly involved in the company's sustainable investment activity?

Ethos is a B Corp fully dedicated to Sustainable Development and Socially Responsible Investment. Therefore, all Ethos' directors and staff's mission is to promote and implement SRI. We can however consider that, as of 31.08.2022, 19 employees were directly involved in sustainable investment (out of a total of 34 employees). The breakdown is as follows:

- 9 in proxy voting and Swiss ESG & Engagement;
- 6 in responsible investment and international ESG;
- 4 in International engagement.

For further information, please visit our website [www.ethosfund.ch/en](http://www.ethosfund.ch/en).

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<sup>1</sup> Reference to Article 173 of the French TECV Act and the TCFD recommendations (risks and opportunities section)

## 2.6 Is the company involved in any RI initiatives?

General Initiatives	Environmental/Climate Initiatives	Social Initiatives	Governance Initiatives
<input type="checkbox"/> ECCR – Ecumenical Council for Corporate Responsibility <input type="checkbox"/> EFAMA RI WG <input type="checkbox"/> European Commission's High-Level Expert Group on Sustainable Finance <input checked="" type="checkbox"/> ICCR – Interfaith Center on Corporate Responsibility <input type="checkbox"/> National Asset Manager Association (RI Group) <input checked="" type="checkbox"/> PRI - Principles For Responsible Investment <input type="checkbox"/> SIFs - Sustainable Investment Fora <input checked="" type="checkbox"/> Other (please specify) <ul style="list-style-type: none"> <li>• Swiss Sustainable Finance</li> <li>• Shareholders for Change (SfC)</li> <li>• Sustainable Stock Exchanges Initiative</li> <li>• B Corporation network (Ethos is a B Corp)</li> </ul>	<input checked="" type="checkbox"/> CDP – Carbon Disclosure Project (please specify carbon, forest, water etc.) <input type="checkbox"/> Climate Bond Initiative <input type="checkbox"/> Green Bond Principles <input checked="" type="checkbox"/> IIGCC – Institutional Investors Group on Climate Change <input checked="" type="checkbox"/> Montreal Carbon pledge <input type="checkbox"/> Paris Pledge for Action <input type="checkbox"/> Portfolio Decarbonization Coalition <input checked="" type="checkbox"/> Other (please specify) <ul style="list-style-type: none"> <li>• Climate Action 100+</li> <li>• Transition Pathway Initiative (TPI)</li> <li>• Net Zero Assets Managers</li> </ul>	<input checked="" type="checkbox"/> Access to Medicine Foundation <input checked="" type="checkbox"/> Access to Nutrition Foundation <input type="checkbox"/> Accord on Fire and Building Safety in Bangladesh <input checked="" type="checkbox"/> Other (please specify) <ul style="list-style-type: none"> <li>• Tobacco-Free Finance Pledge</li> <li>• Reporters Without Borders (RSF)</li> <li>• Transparency International Switzerland</li> <li>• ShareAction Workforce Disclosure Initiative</li> </ul>	<input checked="" type="checkbox"/> ICGN – International Corporate Governance Network <input type="checkbox"/> Other (please specify)

## 2.7 What is the total number of SRI assets under the company's management?

### BCV

As of 31.12.2021, SRI assets under management reached CHF 18.9 billion.

### Ethos

As of 31.08.2022, Ethos promoted, co-branded and advised funds for more than CHF 3.5 billion and advised SRI mandates for more than CHF 200 million. In addition, around CHF 800 million are replicating Ethos' indices.

### 3 General information about the SRI fund(s) that come under the scope of the Code

#### 3.1 What is (are) the fund(s) aiming to achieve by integrating ESG factors?

Investors want to achieve a good performance. If this is done with a long-term investment horizon, a social and environmental sustainability can be achieved. The Fund is looking for sustainable companies with a strong financial potential and who already meet or are aware of their environmental, social and corporate governance responsibilities.

#### 3.2 What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?

The Fund benefits from the long and recognized expertise of Ethos in the field of sustainable investment.

As explained above (questions 2.4 and 2.5), Ethos has developed its proprietary sustainability assessment methodology and has its internal ESG analyst team. Ethos' analysis is based on a proprietary method of assessment of a company's ESG performance that takes into account internationally recognised norms, treaties and best practices, such as, among others, the United Nations Guiding Principles on Business and Human Rights, the conventions of the International Labour Organization, the Rio Declaration on Environment and Development, the Sustainable Development Goals and the UN Global Compact.

For non-Swiss companies, Ethos establishes the ESG ratings based on environmental, social and corporate governance primary data provided by external providers (such RepRisk, Sustainalytics or Trucost) and external publicly available databases. Ethos has its proprietary model for the treatment and consolidation of the data from the external providers, which leads to the attribution of an ESG rating to each company. Ethos analysts are responsible to overlay the data of external providers in terms of product involvement and qualitative analysis of controversies.

#### 3.3 What ESG criteria are taken into account by the fund(s)?

In order to evaluate and measure their contribution to sustainable development, companies are assessed against a comprehensive set of ESG criteria. As part of this, Ethos not only considers company operations but also the added value brought by products and services in terms of ESG performance. In addition, the Fund implements a number of exclusion criteria in accordance with Ethos' Charter.

Ethos' in-depth sustainability analysis covers all material environmental, social and governance aspects related to the company. The environmental and social assessment covers various themes such as corporate strategy, environmental management system, human resources, product sustainability, human rights, suppliers and relations with civil society. The governance dimension includes topics such as transparency, capital structure, board composition and functioning, the remuneration system, shareholders' rights and business ethics. The definition of the analysis criteria depends on good practices in regards to ESG, sectorial stakes as well as practices in different markets.

Ethos assesses the sustainability performance of a company by analysing its exposure to ESG risks, as well as how it manages them. The company strategy is analysed based on the transparency of the information provided, the clarity and coherence of its mission statement as well as the ambition and skill set of management. The Ethos ESG assessment is structured in three stages which are corporate governance analysis, analysis of the ESG strategy and reporting and how the company acts in a responsible and sustainable manner with its different stakeholders.

## 1. Corporate governance

The corporate governance of a company is the set of rules that define the roles and relations between shareholders, the board, executive management, external auditor as well as the company's stakeholders. In a publicly listed company, it is of great importance that the corporate governance adheres to certain fundamental principles such as the separation of operational from supervision functions, sufficient independence of the board, equal treatment of shareholders and a fair remuneration policy that does not lead to excessive risk taking by executive management. The analysis also takes into account the comprehensiveness of the company policies (code of conduct, business ethics principle, ...) and how these policies are implemented (training, audit, monitoring, ...).

## 2. Company strategy and reporting

The Ethos ESG assessment evaluates the corporate strategy in terms of environmental and social responsibility. The existence of a sustainable development committee at the board or executive management level is a central element for ensuring that environmental and social issues are integrated at the highest level of the organisation. The company's participation in different sector initiatives aimed at improving corporate responsibility is also considered in the Ethos assessment.

The way companies provide environmental and social information is also important. Ethos prefers companies which publish a sustainability report according to an internationally recognized reporting standard such as the GRI (Global Reporting Initiative). The reporting should contain a list of key performance indicators along with medium and long-term targets. The external verification of the sustainability report is also an important factor.

## 3. Stakeholders

Ethos analyses how the company manages its relations with the stakeholders listed below. The Ethos assessment considers the different challenges which companies face depending on their sector and size. The weighting assigned to the different stakeholders in the Ethos ESG assessment depends on the sector.

The ESG assessment described above contributes to the establishment of an ESG score for each company. The ESG rating depends on the ESG score compared to peers and the level of controversy based on a proprietary matrix. The quantitative analysis is supplemented with qualitative analyses of the company's products as well as its exposition to serious or major controversies.

The Ethos ESG rating allows to classify companies according to their relative ESG performance compared to their sector peers.

### 3.4 What principles and criteria linked to climate change are taken into account in the fund(s)?<sup>2</sup>

Ethos identifies risks related to climate change which can be financial and societal.

- Financial risks include, among others:
  - o Changes in the framework conditions for companies, e.g. stricter regulations, additional taxation, etc.
  - o Losses to assets due to climate-related events (risk management)
  - o Limited market access or high compensation claims
- Societal risks include, among others:
  - o Public health, pollution, epidemics

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<sup>2</sup> Reference to Article 173 of the French TECV Act see paragraphs 3 and 4 of Article D.533-16-1 of Chapter III of the French Legal Code):

<https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006072026&idArticle=LEGIARTI000031793697>

- Drought, resettlement, climate refugees
- Military conflicts

For those reasons, Ethos promotes companies that have integrated ambitious climate strategies (i.e. science-based reduction target, net zero, etc.) and/or develop products and services that helps to fights against climate change. In addition, Ethos actively engages companies in this matter, directly or through collaborative engagement initiatives, and has developed specific proxy voting guidelines.

For more information on Ethos Carbon rating, please refer to question 4.2.

### 3.5 What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?

To define the eligible universe, Ethos applies a three-stage selection process:

#### 1st stage: Negative screening

Ethos identifies companies with sensitive activities and or active in sensitive sectors, such as armament (conventional and unconventional), thermal coal, non-conventional oil & gas, nuclear industry, tobacco, genetically modified organisms in the agribusiness, gambling and adult entertainment. In accordance with its sectorial exclusion criteria which are part of the investment policy, Ethos excludes companies with sales exceeding 5% in controversial activities/sectors from a sustainability and ethical standpoint (product-based screening)

Based on evidence that is checked by its staff, Ethos identifies companies involved in serious ESG controversies, such as human rights and labour rights breaches, serious environmental damages, severe corruption, etc. In this process, Ethos also measures the pertinence of the companies' responses to such controversies and takes it into account in the result of the screening (norm-based exclusions).

#### 2nd stage: Positive screening (best-in-class)

Ethos assesses companies based on a standard quantitative multi-criteria approach using approximately 70 ESG data points split into three main categories:

Governance 30-40%	Strategy & Reporting 10-20%	Stakeholders 40-60%
<ul style="list-style-type: none"> <li>• Board of Directors</li> <li>• Capital Structure and Shareholder Rights</li> <li>• Remuneration</li> <li>• External auditor</li> <li>• Business Ethics</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainability Strategy</li> <li>• E&amp;S Reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Employees</li> <li>• Customers</li> <li>• Society et communities</li> <li>• Suppliers</li> <li>• Environment</li> </ul>

Source: Ethos

The weights of the three main categories are fixed but not those of the subdivisions which depend on the company's sector.

Each company is given an ESG score based on the abovementioned criterion. The ESG score takes into account industry specific ESG characteristics and positions the company with regard to its peers.

### 3rd stage: Consolidation of ESG evaluation

An ESG rating is attributed to each company depending on its ESG score (quantitative) and its controversy assessment level (qualitative). The company's final ESG rating can be classified as follows:

Maximum level of controversies*	ESG score – Quantitative ESG evaluation			
	4 <sup>th</sup> quartile	3 <sup>rd</sup> quartile	2 <sup>nd</sup> quartile	1 <sup>st</sup> quartile
	Below average		Above average	
No evidence/minor	B-	B+	A-	A+
Moderate	B-	B+	A-	A-
Serious	B-	B-	B+	B+
Severe	B-	B-	B-	B-
Major	C	C	C	C

Source: Ethos

The result of this assessment is a comprehensive evaluation of companies' policies and management systems (G) with respect to the environmental (E) and social (S) challenges they face and therefore allows the identification of forward-thinking companies that meet positive standards of corporate responsibility with a long-term focus and are leaders in their industries.

In addition to its ESG rating, Ethos also applies its Carbon rating which is developed below (Question 4.2).

Companies with ESG scores from A+ to B+ are eligible for investment. On the contrary, a company with an ESG score of B-, one that is involved in a major controversy (C), or is active in an excluded sector is not eligible for investment. The weight of all companies with an ESG rating of B+ in the fund cannot exceed 1.5 times of the weight of all companies with an ESG rating of B+ in the index.

For further information, please refer to the relevant sections of the questionnaire or visit our website <https://www.ethosfund.ch/en>.

### 3.6 How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?

Screening criteria are reviewed on a regular basis in line with new ESG issues (e.g. industry standards, policy and regulatory developments). A change in a company's sustainability practice will affect its sustainability score. This will be taken into account at the next rebalancing process, which occurs at least annually.

Ethos dedicated RI analyst team monitors continually events and news that could impact positively or negatively the ESG and sustainability profile of a given company. In such cases, the event would trigger an analysis and a specific validation session to determine whether to change the company's sustainability assessment. The result is then immediately communicated to BCV to make the necessary portfolio adjustments.

Ethos' analysts also monitor daily ESG controversies that may negatively affect the assessment of companies in the portfolio. In case they identify major ESG controversies, they may decide, in accordance with the investment manager, to sell the stock.

In cases where there is a negative controversy associated with a specific company, Ethos and BCV will engage the business to understand their response to the issue in question. Ethos and BCV will attempt to work with the company to resolve the issue. Where this is not possible, and the issue in question represents

a material threat to the reputation or operations of the business, Ethos and BCV will consider exiting the stock.



## 4 Investment process

### 4.1 How are the results of the ESG research integrated into portfolio construction?

As explained under Questions 3.5 and 3.4, the Fund primarily invests in stocks with an ESG rating of at least B+ and with a carbon rating of at least B+. Due to risk and diversification considerations, the Fund can contain companies with a B+ ESG rating (no restriction on the B+ carbon rating). However, the weight of all companies with an ESG rating of B+ in the fund cannot exceed 1.5 times of the weight of all companies with an ESG rating of B+ in the index.

BCV is responsible for the financial analysis, the portfolio construction as well as the risk management.

BCV Asset Management further examines the companies that Ethos has identified as sustainable investments. BCV's Asset Management builds the investment portfolio using a quantitative and systematic approach based on the combination of alternative risk premia to exploit complementary sources of return and diversification to traditional markets. The different risk premia selected are sources of performance that complement each other in the different economic cycles.

The risk premium strategies currently being exploited are as follows:

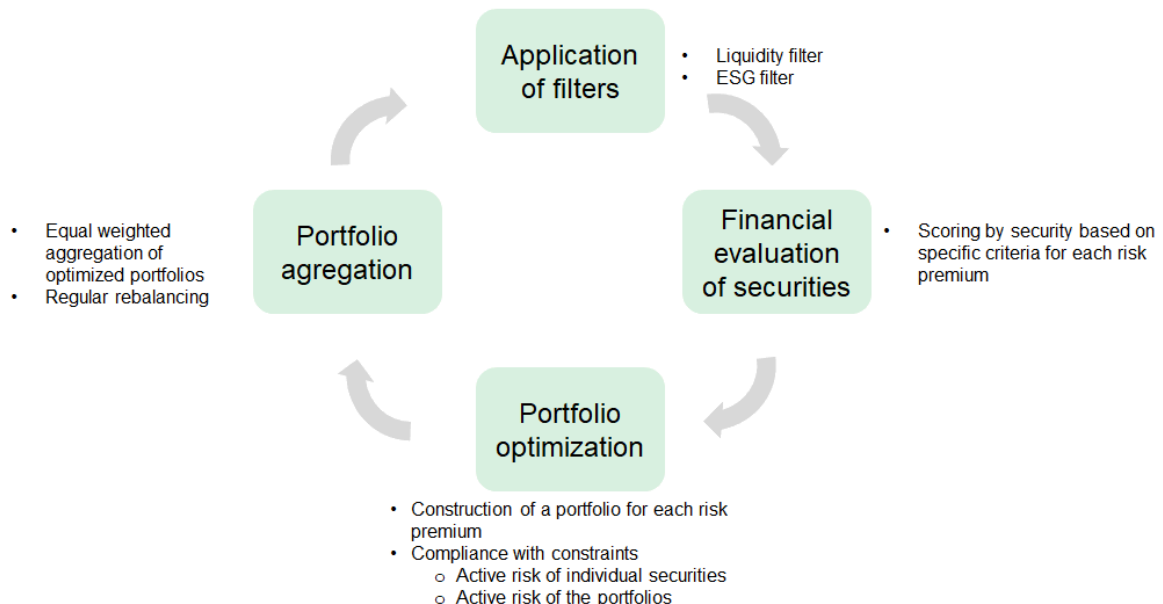
Momentum: selection of stocks with the best recent relative performance

Value: identification of stocks that are undervalued by the market

Low risk: selection of stocks with relatively low market risk

Quality: selection of companies with strong fundamentals

The investment process is composed of four steps:



The risk premiums are implemented by taking long positions, without leverage and without using derivatives (with the exception of the currency hedging). The entire process is supported by rigorous risk management.

## Risk Management

Daily	<b>Global performance tracking</b> <b>Contribution analysis +/-</b>	<b>Verifying investment restrictions</b> First level control	<b>Gérifonds</b> Second level control	<b>Risk Controlling</b> Monitoring internal risk limits	<b>Investment Risk</b> Monitoring sources of risk and analyzing their impact on the portfolio
Monthly	<b>Performance review</b> Independent monitoring of the evolution of investment risk exposures Ex-ante risk measurement, based on factorial models Risk review in partnership with the fund managers Performing analysis on specific themes (scenario, stress-test, back-testing)				
Quarterly	<b>Gérifonds oversight committee</b> Review of performance, risks and compliance with regulatory requirements			<b>Quarterly Risk review</b> Cross-portfolio review of investment risk exposure, together with the team managers and the head of Asset Management	
Annually	<b>Annual risk review</b> Review of each product full-year performance and of the main sources of risks and returns Consideration of changes to internal risk control limits				
Periodic (min. every two years)	<b>Independent Quantitative Committee</b> Evaluation of quantitative strategies before launch Regular review of existing strategies				

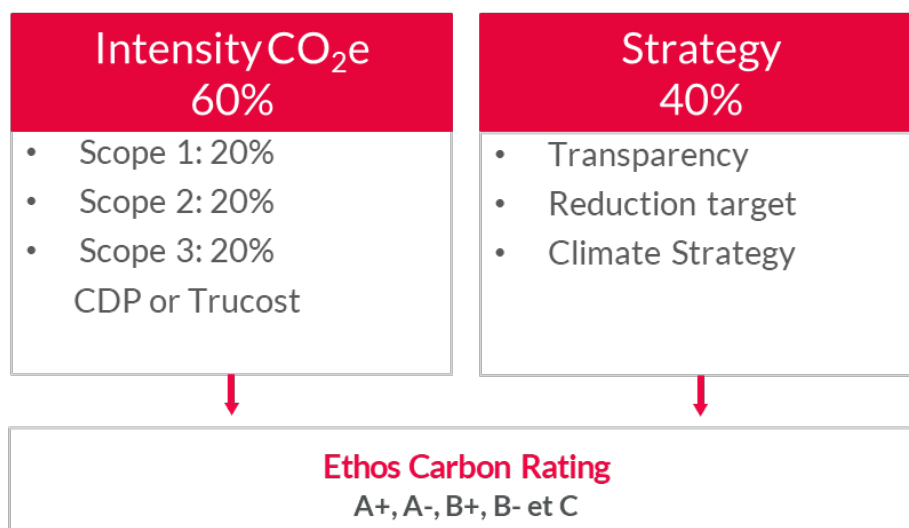
• Carried out by the fund managers

• Independent, carried out by Investment Risk Management

• Carried out by Gérifonds (ManCo)

## 4.2 How are the criteria specific to climate change integrated into portfolio construction?

Ethos has developed its own carbon analysis, Ethos Carbon rating, which measures the carbon footprint of companies and compares it with the footprint of their peers (quantitative assessment) and assesses their climate change strategy (qualitative assessment).



Source: Ethos

The quantitative assessment compares a company's carbon intensity to the carbon intensity of companies in a similar industry. The carbon intensity takes into account all GHG emissions as defined by the GHG Protocol:

- Scope 1: Direct emissions from its activities;
- Scope 2: Indirect emissions from the use of purchased electricity, steam, heat, or cooling;

- Scope 3: All other indirect emissions (suppliers, professional travel, use of products, etc.).

The qualitative assessment looks at the strategy implemented by the company in order to reduce its carbon footprint and tackle climate change. As part of this assessment absolute reduction objectives as well as intensity reduction objectives (relative reduction) are analysed. In addition, the measures to promote the transition to renewable energy and the transparency and accuracy of environmental reporting are analysed.

#### 4.3 How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?

The Fund cannot invest in companies that have not been subject to thorough ESG analysis and that do not pass the sustainability requirements explained above.

#### 4.4 Has the ESG evaluation or investment process changed in the last 12 months?

No

#### 4.5 Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises?

No

#### 4.6 Does (do) the fund(s) engage in securities lending activities?

No

#### 4.7 Does (do) the fund(s) use derivative instruments?

No

#### 4.8 Does (do) the fund(s) invest in mutual funds?

No

## 5 ESG controls

### 5.1 What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?<sup>3</sup>

As part of its regular controls (section 4.1), Gérifonds (ManCo) ensures that the portfolio invests exclusively in companies that are rated A+/A-/B+ by Ethos ESG ratings as well as Ethos Carbon ratings and that the other investment guidelines are respected. Ethos' analyst team also monitors that information on a bi-monthly basis.

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<sup>3</sup> Reference to Article 173 of the French TECV Act

## 6 Impact measures and ESG reporting

### 6.1 How is the ESG quality of the fund(s) assessed?

The ESG quality and robustness is constantly monitored via our internal control routines. The ESG profile of the fund is internally checked on a matrix system combining Ethos ESG Ratings and Ethos Carbon Ratings. While the investment process is established to avoid any differences from the investable universe, any potential deviation would be immediately addressed. In addition, a carbon footprint is calculated on a monthly basis and compared to the relevant benchmark to assess the carbon profile of the fund via the weighted average of the carbon intensity (WACI) method (scope 1 and scope 2).

### 6.2 What ESG indicators are used by the fund(s)?<sup>4</sup>

Impact indicators are identified in order to enable a measure of the Fund's extra-financial performance. The following indicators are calculated both for the fund and its relevant benchmark:

- Ethos ESG Rating
- Ethos Carbon Rating
- Exposure to ESG controversies
- Exposure to sectorial exclusion
- Governance indicators such as, among others, the independence rate within the board of directors, the diversity rate within the board of directors, pay gap ratio between CEO remuneration and the employee average
- Social indicators such as, among others, human right and staff freedom of association company policies
- Climate indicators such as, among others, carbon intensity to measure emissions (scopes 1 and 2) and the breakdown of companies regarding their Science-Based Targets (SBT) commitment

### 6.3 What communication resources are used to provide investors with information about the SRI management of the fund(s)?

The following information is accessible on BCV and/or Ethos websites:

- Factsheet (monthly)
- Annual Report
- Semi-Annual Report
- Prospectus and Articles of Incorporation
- KIID
- Carbon footprint (quarterly)
- Proxy voting report (quarterly)
- Extra financial report (annually)
- Active ownership report (annually)

In addition, BCV and Ethos organize presentations and webinars to investors and the public about the fund.

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<sup>4</sup> Reference to Article 173 of the French TECV Act

#### 6.4 Does the fund management company publish the results of its voting and engagement policies?<sup>5</sup>

Yes, see the below links on the Ethos' website on the proxy voting section and on the engagement section

<https://www.ethosfund.ch/en/news-and-publications/reports-publications>

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<sup>5</sup> Reference to Article 173 of the French TECV Act and the HLEG recommendations on GOVERNANCE



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