ENGAGEMENT REPORT

Period: 01.01.2024 - 31.12.2024

PORTFOLIO(S)

PORTFOLIO NAME	COMPOSITION AS OF	NUMBER OF COMPANIES	NUMBER OF COMPANIES ENGAGED	AuM ENGAGED
Fund - Clartan Ethos ESG Europe Small and Mid Cap	31.12.2024	41	27	70.2%
TOTAL 1				

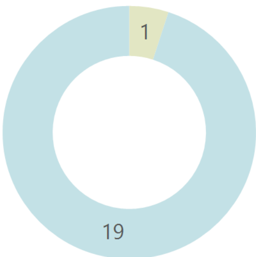
KEY ENGAGEMENT NUMBERS

27
COMPANIES ENGAGED
(OUT OF 41)

70%
AuM ENGAGED

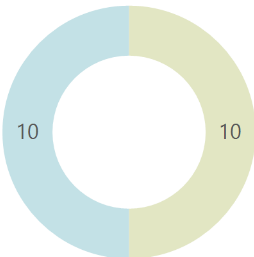
20
CAMPAIGNS

KEY FIGURES ON THE RELEVANT CAMPAIGNS



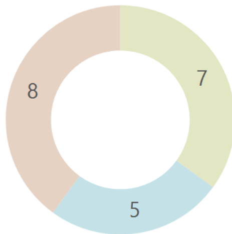
ONE OFF VS RECURRING

One off Recurring



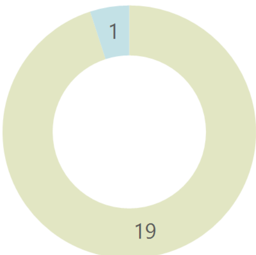
TYPE

Direct Collaborative



PILLAR

Environment Governance Social



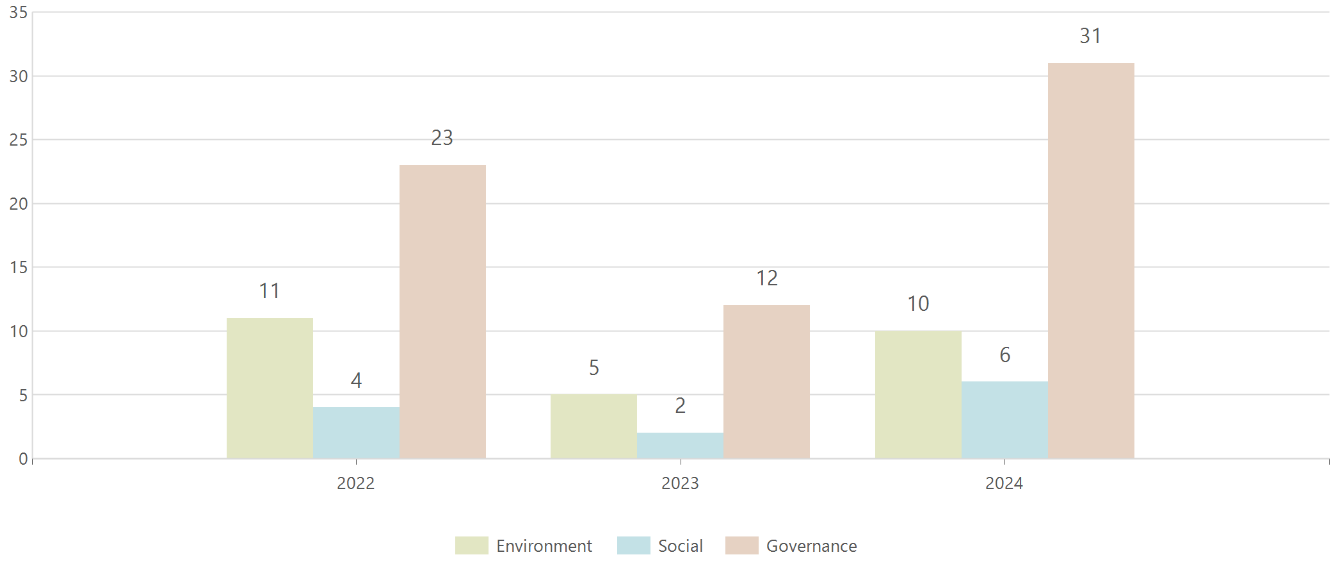
STATUS AS OF 31.12.2024

In progress Completed

OVERVIEW

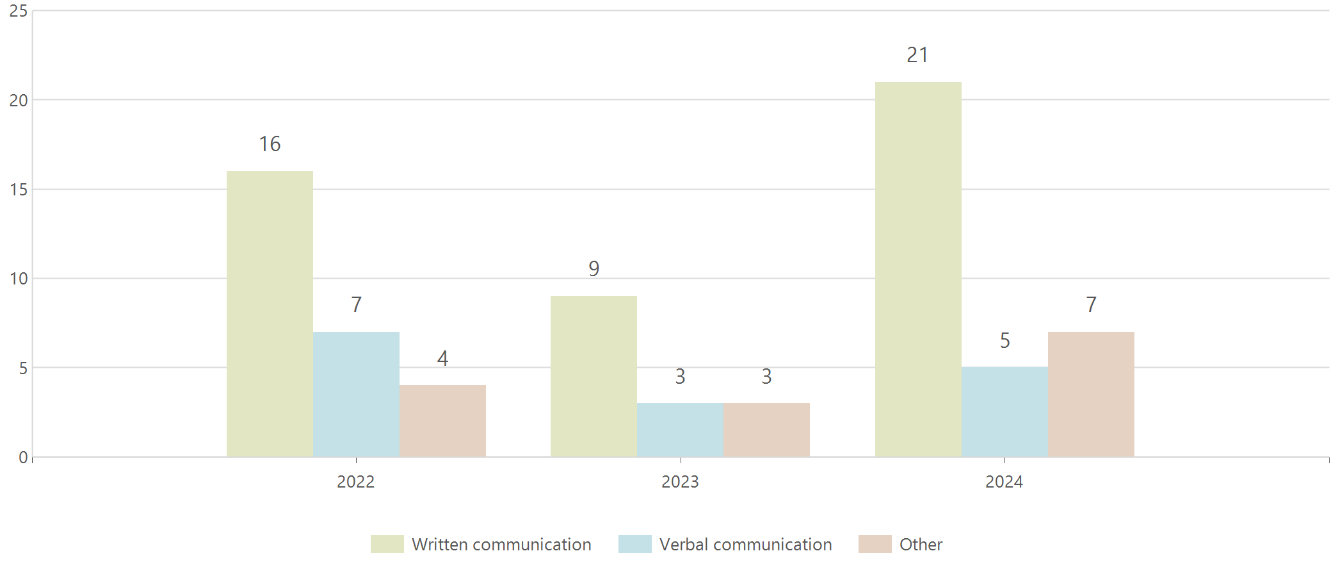
1. OVERVIEW

1.1 ENGAGEMENT ACTIONS BY PILLAR *



** If an engagement action addresses several pillars, it will be counted in each pillar.*

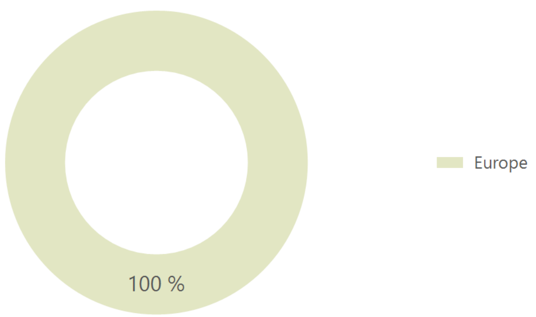
1.2 ENGAGEMENT ACTIONS BY TYPE



1.3 BREAKDOWN OF ENGAGED COMPANIES BY THEME

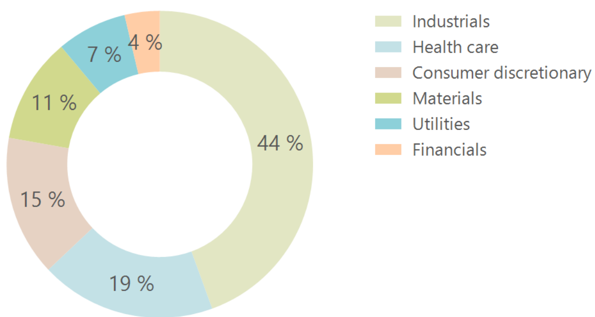
	NUMBER OF COMPANIES ENGAGED			
THEME	IN ETHOS' CAMPAIGNS	IN COLLABORATIVE CAMPAIGNS	TOTAL	% AUM
Environment			**21**	**54.9 %**
Climate change	6	15	21	54.9 %
Environmental impact	0	2	2	4.3 %
Biodiversity	0	1	1	1.1 %
Social			**16**	**42.5 %**
Human rights	6	10	16	42.5 %
Labour rights	6	9	15	39.6 %
Health & safety	6	7	13	35.5 %
Governance			**17**	**44.8 %**
Code of conduct	6	7	13	35.5 %
ES reporting	9	0	9	20.5 %
Sustainability strategy	9	0	9	20.5 %
Remuneration	7	0	7	17.0 %
Shareholder rights	6	1	7	17.3 %
Availability of ESG policies	6	1	7	17.3 %
Business ethics	6	0	6	14.1 %
Board composition and functioning	6	0	6	14.1 %
Tax responsibility	6	0	6	14.1 %
Diversity	6	0	6	14.1 %
Digital responsibility	5	0	5	11.3 %

1.4 BREAKDOWN OF ENGAGED COMPANIES BY LOCATION



COUNTRY	NUMBER	%
Europe	**27**	**100.0%**
Switzerland	6	22.2%
France	5	18.5%
Italy	4	14.8%
Germany	3	11.1%

1.5 BREAKDOWN OF ENGAGED COMPANIES BY SECTOR



SECTOR	NUMBER	%
Industrials	**12**	**44.4%**
Capital goods	11	40.7%
Commercial & professional services	1	3.7%
Health care	**5**	**18.5%**
Health care equipment & services	3	11.1%
Pharmaceuticals, biotechnology & life sciences	2	7.4%

COUNTRY	NUMBER	%
United Kingdom	2	7.4%
Austria	1	3.7%
Finland	1	3.7%
Ireland	1	3.7%
Luxembourg	1	3.7%
Norway	1	3.7%
Portugal	1	3.7%
Sweden	1	3.7%
TOTAL	**27**	**100%**

SECTOR	NUMBER	%
Consumer discretionary	**4**	**14.8%**
Automobiles & components	1	3.7%
Consumer Discretionary Distribution & Retail	1	3.7%
Consumer durables & apparel	1	3.7%
Consumer services	1	3.7%
Materials	**3**	**11.1%**
Materials	3	11.1%
Utilities	**2**	**7.4%**
Utilities	2	7.4%
Financials	**1**	**3.7%**
Insurance	1	3.7%
TOTAL	**27**	**100%**

ENGAGEMENT PILLARS

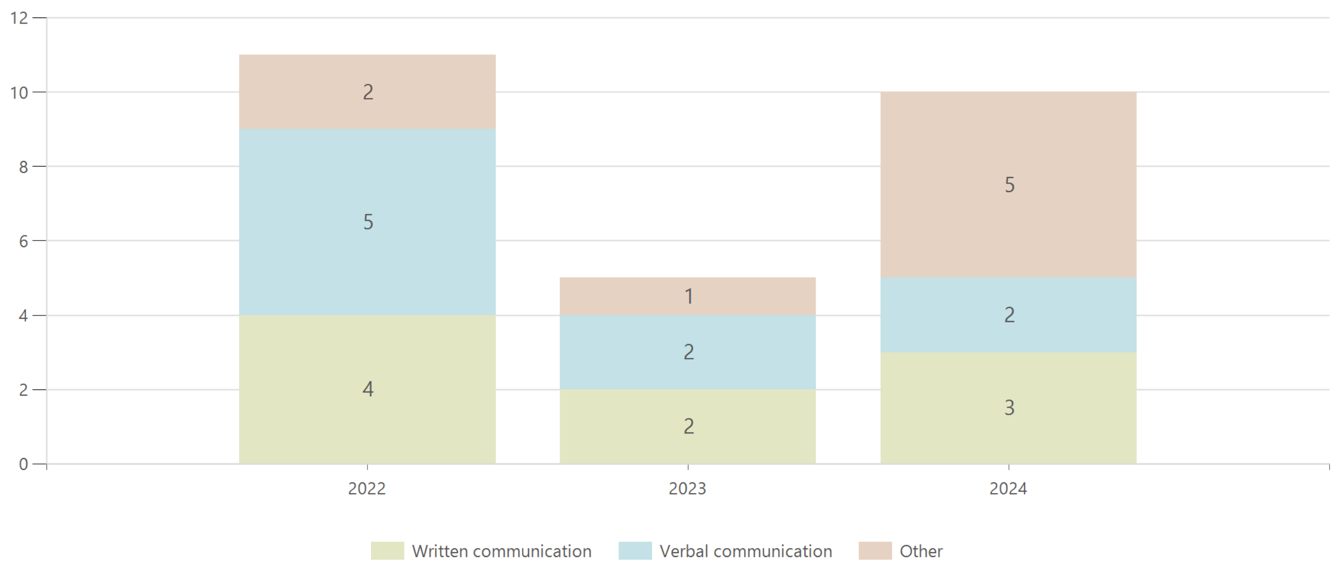
2. ENVIRONMENT

2.1 OVERVIEW OF THE RELATED CAMPAIGNS

	NUMBER OF COMPANIES		
CAMPAIGN'S NAME	IN PORTFOLIO(S)	TOTAL	CAMPAIGN SIGNED ON
Climate Action 100+	1	170	20.11.2017
Climate change strategy and risk management of Swiss companies	6	150	01.01.2007
Investor Decarbonization Initiative	0	21	01.01.2017
Nature Action 100	1	99	25.07.2023
Net Zero Engagement Initiative (NZEI)	6	147	01.12.2022
Participation in the CDP	15	1'268	20.02.2017
Say on Climate vote at UK companies	1	76	12.09.2023
TOTAL 7			

The campaigns initiated by Ethos are in bold.

2.2 ENGAGEMENT ACTIONS WITH COMPANIES IN THE PORTFOLIO ON ENVIRONMENT THEMES *



** Please find in appendix 6 the mapping of themes into the usual "Environment", "Social" and "Governance" pillars and the one of action types into categories "Written communication", "Verbal communication" and "Other".*

2.3 DETAILS OF THE RELATED CAMPAIGNS

CLIMATE ACTION 100+

SDG

SDG 13: Climate Action

UNGC PRINCIPLES

Principle 7: precautionary approach to environmental challenges
Principle 8: promote environmental responsibility
Principle 9: encourage environmentally friendly technologies

SUMMARY

A group of investors, coordinated by the Principles for Responsible Investment (PRI) and other investor networks across the globe, launched a new five-year collective investor initiative to engage more than 100 of the world's largest corporate greenhouse gas emitters to curb emissions, strengthen climate-related financial disclosures and improve governance on climate change risk management.

DESCRIPTION

The objective of the Climate Action 100+ initiative is to focus investor action on the 166 most substantial greenhouse gas emitters (considering emissions across the value chain) because these companies are responsible for about 80% of global industrial emissions. Most of these companies operate in either the Oil and Gas, Utilities, Mining, Industrials or Transportation sector and present risks to investors in two ways: First, the failure to adapt their operations and activities to policy, physical or technological changes related to climate change could impact revenues, expenditures, assets and liabilities or financing capabilities. Second, by creating systemic economy-wide impacts that may harm the financial markets as a whole (e.g. due to prolonged extreme weather events).

Thus, during five years the Climate Action 100+ investor initiative is trying to secure commitments from the boards and senior management teams of the identified systemically important corporate emitters to:

- Implement a strong governance framework which clearly articulates the board's accountability and oversight of climate change risk
- Take action to reduce greenhouse gas emissions across their value chain, consistent with the Paris Agreement's goal of limiting global average temperature increase below 2°C above pre-industrial levels.
- Provide enhanced corporate disclosure in line with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and sector-specific Global Investor Coalition on Climate Change (GIC) Investor Expectations on Climate Change (when applicable) to enable investors to assess the robustness of companies' business plans against a range of climate scenarios, including the below 2°C scenario, and to improve investment decision-making.

Asset owners can either join the initiative as 'Supporters' which publicly support the initiative or as 'Participants'. 'Participants' have to be a member of the PRI or one of the other investor networks and to commit to take the engagement lead for at least one company including providing regular engagement updates to the other investors.

RESULT OVERVIEW

As of 31.12.2024:

- 90% of the targeted companies now have some level of board oversight on climate-related matters.
- 88% of the targeted companies have made public commitments to align their climate reporting with the TCFD recommendations or the International Sustainability Standards Board (ISSB) requirements.
- 80% of the targeted companies have set net-zero targets for at least their Scope 1 and Scope 2 emissions by 2050 or earlier. This is a significant increase from the first benchmark in March 2021, when only 51% of companies had such targets.

CLIMATE CHANGE STRATEGY AND RISK MANAGEMENT OF SWISS COMPANIES

SDG

SDG 13: Climate Action

UNGC PRINCIPLES

Principle 7: precautionary approach to environmental challenges
Principle 8: promote environmental responsibility
Principle 9: encourage environmentally friendly technologies

SUMMARY

The implementation of the Paris Agreement to contain warming below 2° compared to the pre-industrial period has put particular pressure on the private sector, including investors and companies. Ethos' engagement focuses on the following aspects:

- Greenhouse gas (GHG) emission reduction strategy across the value chain and climate change risk management
- Consideration of climate change in financing (banking) and insurance activities
- Transparency on GHG emissions, reduction measures taken, progress made and actions planned for the future
- Voting on the climate strategy of the largest GHG emitters ("Say on Climate")

DESCRIPTION

A) Transparency of GHG emissions

- Require companies to publish their Scope 1 and Scope 2 GHG emissions on an annual basis
- Ask companies to publish their Scope 3 emissions as comprehensively as possible, particularly in the supply chain (upstream) or in the use of products (downstream).
- Encourage companies to participate in the CDP, which will help structure their reporting and make it more comparable. In 2023, as in 2022, around half of the companies in the Swiss EEP universe participated in the CDP. Some companies prefer their own reporting to that of the CDP.

B) Strategy for reducing GHG emissions across the value chain and managing climate change risks

- Encourage companies to set relevant and ambitious emissions reduction targets (absolute and relative):
- Set emission reduction targets that are compatible with keeping the temperature rise to 1.5° ("Science Based Targets")
- Check that the reduction targets cover at least 80% of direct and indirect GHG emissions (areas 1, 2 and 3)
- Ask companies to publish details of their climate strategy, including the measures already taken and those to be taken to achieve the emission reduction targets.
- Encourage companies to include specific expectations on climate change in their supplier code of conduct.

C) Taking climate change into account in financing and insurance activities

The Swiss financial sector has an important role to play in the implementation of the Paris agreement, which notably requires making financial flows compatible with climate protection. This requires in particular that banks and insurance companies review their way of managing risks and opportunities in this area. Financial institutions are therefore expected to analyze their customers and their investments in detail in order to identify those that contribute the most to climate change. It is necessary for financial institutions to put in place:

- Publication of indirect CO2 emissions linked to corporate financing (loans) and asset management activities
- A risk management policy that limits transactions with clients in certain sectors sensitive to climate change (e.g. coal mining and unconventional fossil fuels);
- Integrated environmental and social due diligence for energy sector clients
- (projects and companies);
- Reporting on the number of new transactions with ESG-risky clients that have been assessed, approved, approved with conditions or refused;
- In the asset management professions (asset management and insurance), a comprehensive policy providing for the consideration of ESG risks in the investment policy and integrating principles of commitment, exercise of responsible voting rights and exclusions;
- Reporting according to the TCFD which presents in particular the exposure of the credit and investment portfolio to very CO2-intensive sectors.

D) Vote on the climate strategy of the largest GHG emitters (“Say on Climate”)

Organizing a “Say on Climate” vote allows shareholders to have their say on the efforts undertaken by companies to reduce their GHG emissions and on the way in which they manage climate risks. The objective of the “Say on Climate” is to allow shareholders to evaluate the effectiveness of the climate strategy but also, if necessary, to increase pressure on the board of directors if the measures taken are not considered. as being sufficiently ambitious. At the international level, this approach is favored by many institutional investors.
With the entry into force of article 964c of the Code of Obligations providing for the approval of the sustainability report by the general meeting, it is appropriate to ask whether a specific vote on the climate report remains relevant. Ethos believes that this is the case for the largest GHG emitters. It should in fact regularly consult their shareholders on their climate strategy, particularly during the 2025 general meetings when companies will present their first climate report in accordance with the ordinance relating to climate reporting.

Consequently, in 2024, the dialogue will aim to:

- Ask the largest GHG emitting companies to propose two separate votes concerning the sustainability report and the climate report respectively.
- Concerning Holcim and Nestle, among the largest emitters of CO2 and appearing in the Climate Action 100+ campaign, Ethos will consider whether it is necessary, in view of the dialogue in place, to pose a resolution as previously done in 2021 with Nestlé, to that two separate votes be taken.

RESULT OVERVIEW

In 2024, Ethos continued its intensive dialogue with Swiss-listed companies on climate-related issues. A total of 439 engagement actions were conducted on this theme, particularly targeting the largest GHG emitters on the stock exchange.

Holcim and Nestlé account for the largest share of emissions and therefore remained key targets of Ethos' engagement efforts last year, leading to significant results.

Between 2022 and 2023, Holcim's total emissions decreased by three million tonnes, from 130 million to 127 million tonnes. Nestlé also saw a significant reduction in emissions over the same period, with a decrease of nearly 15 million tonnes, from 102.4 million tonnes in 2022 to 87.5 million tonnes in 2023. Furthermore, both companies have CO_2 reduction targets that have been approved by the Science Based Targets initiative (SBTi).

However, Ethos is concerned about potential negative consequences arising from Holcim’s planned separation of its Unites States operations into an independent company. The environmental regulations in the United States are less stringent, which could slow down the company's decarbonisation efforts in that market.

INVESTOR DECARBONIZATION INITIATIVE

SDG

SDG 13: Climate Action

UNGC PRINCIPLES

Principle 7: precautionary approach to environmental challenges
Principle 8: promote environmental responsibility
Principle 9: encourage environmentally friendly technologies

SUMMARY

The Investor Decarbonization Initiative (IDI) brings together institutional investors to motivate listed companies around the world to make greenhouse gas (GHG) reductions. The initiative is coordinated by ShareAction.

DESCRIPTION

The Investor Decarbonization Initiative (IDI) proposes three compelling activities for effective GHG reductions by companies:

1. Procurement of 100% renewable electricity (RE100).
2. Doubling energy productivity (EP100)
3. Promoting electric vehicles (EV100)

With the ever decreasing cost of renewable energy sources such as solar and wind, renewable energy will soon be the most cost-effective source of energy in many places. In addition, long-term agreements between companies and producers of renewable energy help to keep volatile energy costs under control. A company's commitment to using 100% renewable energy brings undeniable benefits, and it is important that such a commitment becomes visible by joining RE100.

Doubling the economic output per unit of energy consumed is a bold goal that demonstrates foresight while reducing energy costs. By doubling energy efficiency, companies increase their resilience and competitiveness while reducing GHG emissions and creating jobs. The commitment to doubling energy productivity brings significant environmental and economic benefits to a company, and by joining EP100, such a commitment becomes visible.

The transport sector is responsible for 23% of global energy-related GHG emissions. Electric mobility offers an important opportunity to massively reduce these GHG emissions and to curb traffic-related air and noise pollution. As companies own more than half of all vehicles registered worldwide, it is crucial that companies lead the transition to electric vehicles by joining EV100.

As part of the Investor Decarbonization Initiative, a specific campaign has been launched in 2021 in the chemical sector. It encourages 13 European chemical companies to implement ambitious decarbonisation strategies in order to reduce their emissions and be aligned with the 1.5°C targets. The campaign highlights the need to electrify chemical production processes using only renewable energy and to replace fossil feedstocks with hydrogen or green methanol.

RESULT OVERVIEW

As of 31.12.2024:

- In 2024, engagement activities focused on eight key topics, with a total of 52 engagement actions carried out. The coalition engaged with management members from each company and held conference calls with them.
- Intensified engagement measures were undertaken in the following areas:
    - i. Yara International: Together with three other investors, a shareholder resolution was filed at the AGM, urging the company to set global targets for reducing its Scope 3 GHG emissions. The Norwegian state, Yara’s largest shareholder, was also involved in discussions with the investor coalition.
    - ii. Evonik, Lanxess, Croda, Covestro, and Air Liquide: Questions were raised at their AGMs.

NATURE ACTION 100

SDG

SDG 6: Clean Water and Sanitation
SDG 14: Life Below Water
SDG 15: Life On Land

UNGC PRINCIPLES

Principle 8: promote environmental responsibility
Principle 9: encourage environmentally friendly technologies

SUMMARY

A group of investors, coordinated by the Institutional Investors Group on Climate Change (IIGCC) and other investor networks across the globe, launches a collaborative engagement initiative for institutional investors to engage with companies and policymakers to reverse nature and biodiversity loss.

DESCRIPTION

With more than half of the world's GDP reliant on nature and its services, depleting natural capital creates significant operational, regulatory, litigation, and reputational risk for investors and businesses alike, and negative economic repercussions globally. Hundreds of billions of global crop outputs are at risk annually from pollinator loss, posing operational risk for companies sourcing agricultural commodities. According to some estimates , tens of billions of dollars in assets could be at risk of stranding over the next 5 to 10 years if companies continue to produce deforestation-linked commodities.

The objective of the Nature Action 100 Initiative is to address the urgent nature crisis and its impact on long-term shareholder value, release a set of timely and necessary corporate actions that will protect and restore nature and ecosystems and mitigate financial risks.

The initiative will focus on companies in key sectors that are deemed to be systematically important in reversing nature and biodiversity loss by 2030 - a critical threshold scientists say is necessary to avoid more catastrophic change.

The following eight key sectors are major drivers of nature loss due to their large impacts on habitat loss, overexploitation of resources, and soil, water, and solid waste pollution:

- Biotechnology and pharmaceuticals
- Chemicals, such as agricultural chemicals
- Household and personal goods
- Consumer goods retail, including e-commerce and specialty retailers and distributors
- Food, ranging from meat and dairy producers to processed foods
- Food and beverage retail
- Forestry and paper, including forest management and pulp and paper products
- Metals and mining.

Through this initiative, institutional investors establish a common high-level agenda for engagements and a clear set of expectations to drive greater corporate ambition and action on nature and biodiversity loss. The investors will call on companies to take actions related to the area of:

- **Ambition**: Publicly commit to minimize contributions to key drivers of nature loss and to conserve and restore ecosystems at the operational level and throughout value chains by 2030.
- **Assessment**: Assess and publicly disclose nature-related dependencies, impacts, risks, and opportunities at the operational level and throughout value chains.
- **Targets**: Set time-bound, context-specific, science-based targets informed by risk assessments on nature-related dependencies, impacts, risks and opportunities. Disclose annual progress against targets.
- **Implementation**: Develop a company-wide plan on how to achieve targets. The design and implementation of the plan should prioritize rights-based approaches and be developed in collaboration with Indigenous Peoples and local communities when they are affected. Disclose annual progress against the plan.
- **Governance**: Establish Board oversight and disclose management's role in assessing and managing nature-related dependencies, impacts, risks, and opportunities.
- **Engagement**: Engage with external parties including actors throughout value chains, trade associations, policy makers, and other stakeholders to create an enabling environment for implementing the plan and achieving targets.

The initiative aims to go beyond corporate dialogue and will support advocacy efforts with relevant policymakers on nature-focused policies.

The members of the Ethos Engagement Pool International join this initiative by signing the letters that set forth the investor expectations of companies and Ethos joins by engaging with one or more companies (which ones still to be determined) as part of an engagement team.

This is the first global investor initiative focused on nature and biodiversity. Participation in this initiative hence offers the members of the Ethos Engagement Pool International a great opportunity to advance biodiversity and nature issues. Thus, the members of the EEP International will support this initiative aiming at engaging with 100 companies and policymakers to tackle nature loss and biodiversity decline.

RESULT OVERVIEW

As of 31.12.2024:

- The campaign published the results of the first comparative assessments of corporate efforts to protect nature, highlighting the significant room for improvement in this area.
- Ethos participated in investor coalitions engaging with Nestlé, Novartis, and Roche. These three companies were open to dialogue, and several conference calls were organized.

NET ZERO ENGAGEMENT INITIATIVE (NZEI)

SDG

SDG 13: Climate Action

UNGC PRINCIPLES

Principle 7: precautionary approach to environmental challenges
Principle 8: promote environmental responsibility
Principle 9: encourage environmentally friendly technologies

SUMMARY

A group of institutional investors coordinated by IIGCC conducts an engagement campaign to urge significant GHG emitters mainly in Europe to implement net zero commitments.

DESCRIPTION

Physical risks such as floods and droughts, and transition risks such as higher energy costs or the implementation of carbon regulation will have financial impacts. Thus, it is now widely understood amongst institutional investors that economies must be decarbonized to reduce the physical and transition risks related to climate change and hence the financial impact of climate change.

With the Net Zero Engagement Initiative the Institutional Investor Group on Climate Change (IIGCC) is seeking to build a base on which institutional investors can develop effective engagements at scale to meet climate objectives. Many institutional investors have committed to align their portfolios with the net zero objective net zero and thus need to increase the proportion of companies in their portfolios that have net zero targets and transition plans.

Launched in 2017, Climate Action 100+ has transformed the scale and importance of climate engagement. But many more companies need to be engaged to align portfolios with the net zero objective. Starting with significant GHG emitters in Europe, this new initiative is designed to address that gap. Investors call on the targeted companies to implement transition plans which include:

- Comprehensive net zero commitment - A credible net zero commitment to set the tone for the development of the company's strategy;
- Robust GHG targets - Robust GHG targets over the short, medium, and long term to deliver decarbonization in line with credible pathways;
- Tracking of emissions performance - Clear reporting on GHG emissions across scopes 1-3 enabling investors to track progress against GHG targets;
- Credible decarbonization strategy - A decarbonization strategy setting out how targets will be delivered. The strategy describes the decarbonization levers that will be used and the supporting capital expenditure plans.

The Net Zero Engagement Initiative provides a forum to scale and accelerate shareholder engagement on climate change and will help institutional investors to meet their climate goals. Thus, the members of the EEP International support this initiative urging companies to implement net zero commitments.

RESULT OVERVIEW

As of 31.12.2024:

- By the end of the year, the campaign was supported by 107 institutional investors.
- All 85 targeted companies engaged in dialogue with investors.
- 90% of the companies formally responded to the kick-off letter.
- Over 50% of the companies noted progress in setting emissions reduction targets and quantifying key decarbonization measures.

PARTICIPATION IN THE CDP

SDG

SDG 13: Climate Action

UNGC PRINCIPLES

Principle 7: precautionary approach to environmental challenges
Principle 8: promote environmental responsibility

SUMMARY

This collective engagement was launched by the CDP with the aim of encouraging listed companies that have not yet completed the CDP questionnaire to do so. The EEP International and a group of investors, coordinated by CDP, have therefore sent letters to companies with a request to do so.

DESCRIPTION

The CDP is a non-profit organisation that provides companies with a standardised framework for reporting on a range of environmental issues, including greenhouse gas (GHG) emissions, in order to measure and reduce their environmental impact. Investors need reliable and comparable data to assess the environmental impact of their portfolios and the climate change strategy of listed companies.

Investors participating in this collective commitment have two options:

- Co-sign the letter of commitment sent to a number of companies that they can choose from among the targeted companies. This allows them to focus on the companies in their portfolios.
- Assume the role of a lead or co-lead investor who leads the engagement process with one or more companies on behalf of the group.

RESULT OVERVIEW

As of 31.12.2024:

- 276 investors, managing a total of USD 21'000 billion in assets under management, participated in the campaign.
- 1'998 companies were contacted, of which 1'329 were specifically targeted regarding the climate change questionnaire.
- 352 companies decided to complete the various CDP questionnaires following engagement activities, including 164 for climate change and 196 for water.
- Ethos was selected as Lead Investor for the following companies: CK Hutchinson, Dassault Aviation, and Strabag.

SAY ON CLIMATE VOTE AT UK COMPANIES

SDG

SDG 13: Climate Action

UNGC PRINCIPLES

Principle 7: precautionary approach to environmental challenges
Principle 8: promote environmental responsibility
Principle 9: encourage environmentally friendly technologies

SUMMARY

A group of institutional investors coordinated by CCLA Investment Management and the Local Authority Pension Fund Forum (LAPFF) will urge 35 high carbon emitting UK companies to submit their transition plans for shareholder approval at their 2024 Annual General Meetings.

DESCRIPTION

The next few years are crucial for meeting the net zero objective of the Paris Agreement. Encouragingly more and more companies are moving to align with this aim and provide disclosures on how they will meet net zero objectives. This disclosure of a GHG reduction objective and an outline of the measures implemented to achieve the objective is usually referred to as a transition plan.

On their part institutional investors are increasingly looking to align their portfolios with their own net zero objectives and they are looking for ways to monitor their investee companies' GHG reduction efforts. The publication of transition plans and regular reports on progress combined with a routine advisory vote on these (Say on Climate) enables investors to monitor the progress of their investee companies towards net zero.

The benefits of such a transition plan vote are manifold for both the companies and their investors: promoting shareholder involvement and buy in on climate, putting responsibility for the climate strategy with the board, institutionalizing a dialog on climate between companies and investors and forcing timely and comprehensive disclosure of relevant information in the run-up to the annual general meeting (AGM).

For this reason, a group of institutional investors plans to send letters to 35 UK companies in high-emitting sectors such as oil and gas, mining, aerospace and defense, cement, energy utilities, banking, and transportation, representing 87% of emissions within the FTSE350 index that face heightened climate risks and that have so far not provided shareholders with the opportunity to vote on their climate strategy. The group of investors expects companies to provide shareholders with such a vote every three years or following substantial changes to the climate strategy, including to the reduction target and measures or where exogenous factors will materially impact a company's transition plan.

The letters will be sent at the end of September to ensure companies have time to consider the ask before AGM agendas for 2024 are set. Following the circulation of the letters it will be made public. By giving their shareholders the opportunity to vote on their transition plan during their 2024 AGM, companies enhance transparency and accountability on their GHG reduction strategy. Thus, the members of the Ethos Engagement Pool International will support the letters to be sent to UK companies requesting a Say on Climate vote.

RESULT OVERVIEW

As of 31.12.2024:

- This campaign has been expanded to cover all FTSE 100 companies (excluding investment funds) ahead of the 2025 general meetings, bringing the total to 76 companies.
- The response rate from companies has increased year after year, reaching 64% by the end of 2024.
- Two companies have committed to submitting their transition plans for shareholder approval, one in 2025 and the other in 2026.

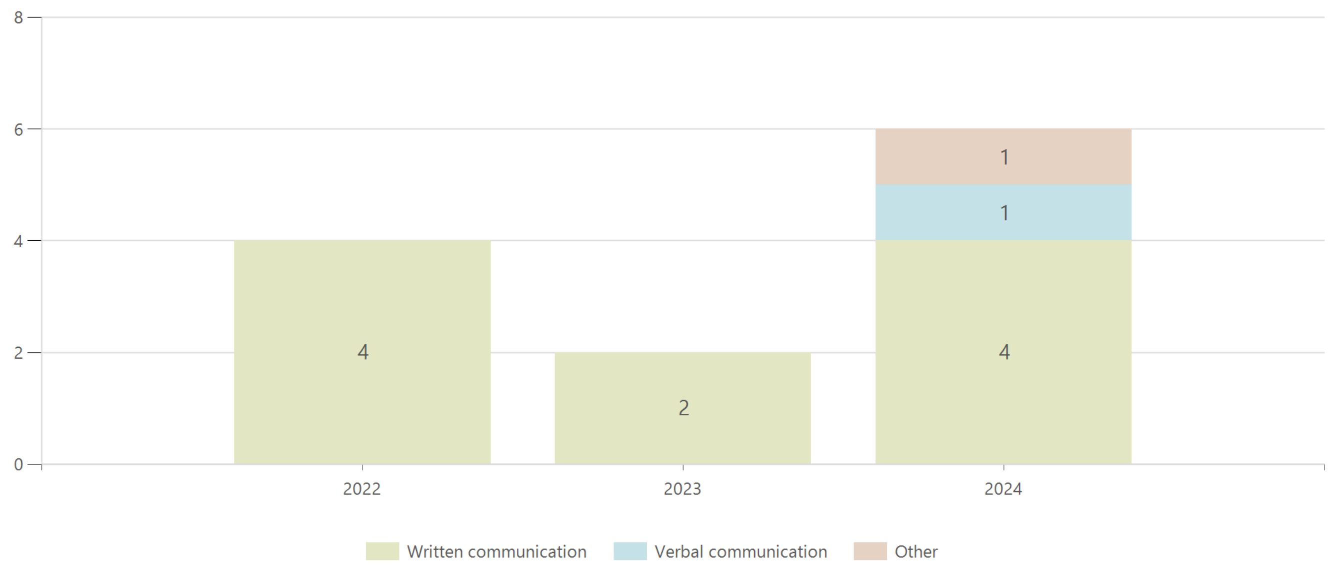
3. SOCIAL

3.1 OVERVIEW OF THE RELATED CAMPAIGNS

	NUMBER OF COMPANIES		
CAMPAIGN'S NAME	**IN PORTFOLIO(S)**	**TOTAL**	**CAMPAIGN SIGNED ON**
Improving performance on the Corporate Human Rights Benchmark (CHRB)	1	236	20.01.2020
Investor Engagement Group - Xinjiang Uyghur Autonomous Region	1	81	07.12.2020
Letters to encourage UK companies to report as required by the Modern Slavery Act	0	32	01.02.2021
Workforce Disclosure Initiative (WDI)	10	448	04.04.2018
Working conditions and respect for human rights of Swiss companies	6	150	01.01.2019
TOTAL 5			

The campaigns initiated by Ethos are in bold.

3.2 ENGAGEMENT ACTIONS WITH COMPANIES IN THE PORTFOLIO ON SOCIAL THEMES *



** Please find in appendix 6 the mapping of themes into the usual "Environment", "Social" and "Governance" pillars and the one of action types into categories "Written communication", "Verbal communication" and "Other".*

3.3 DETAILS OF THE RELATED CAMPAIGNS

IMPROVING PERFORMANCE ON THE CORPORATE HUMAN RIGHTS BENCHMARK (CHRB)

SDG

SDG 5: Gender Equality
SDG 8: Decent Work and Economic Growth
SDG 10: Reduced Inequalities
SDG 16: Peace, Justice and Strong Institutions

UNGC PRINCIPLES

Principle 1: support and respect human rights
Principle 2: no human rights abuse
Principle 3: freedom of association and collective bargaining
Principle 4: no forced labor
Principle 5: no child labor

SUMMARY

A group of institutional investors coordinated by the Investor Alliance for Human Rights (IAHR) sent a letter to 95 companies ranked as laggards by the Corporate Human Rights Benchmark (CHRB) urging them to improve their performance.

DESCRIPTION

The Corporate Human Rights Benchmark (CHRB) is a not for profit organization dedicated to creating a public benchmark of corporate human rights performance. The CHRB was launched in 2016 and draws on the investor and human rights expertise from 6 organizations: APG Asset Management, Aviva Investors, Nordea Wealth Management, Business & Human Rights Resource Centre (BHRRC), EIRIS Foundation and the Institute for Human Rights and Business (IHRB).
In November 2019, the CHRB released the latest iteration of its annual benchmark, ranking 200 of the world's largest publicly traded companies active in high-risk sectors such as agriculture, apparel, extractives and ICT manufacturing on a set of human rights indicators. While some companies ranked have improved compared to previous years, the overall picture is concerning. Of the 200 companies ranked, half failed to meet any of the five basic criteria for human rights due diligence as developed by the CHRB. To help address this gap, a letter has been developed to call on all companies with weak human rights due diligence practices to demonstrate respect for human rights by publicly disclosing key information such as:

- Process to identify and assess adverse human rights impacts
- Process to prioritize the most severe adverse human rights impacts
- List of severe adverse human rights impacts caused by the company
- Actions of the company to prevent, mitigate and remediate adverse human rights impacts
- Approach to tracking and assessing the effectiveness of the actions taken

In 2021, this initiative continued. Between April and May, 106 letters were sent to companies that again failed to score in the due diligence area of the assessment. The investor statement is now supported by 212 institutional investors with assets under management of USD 7,000 billion. Ethos was chosen as lead investor for the German company Infineon Technologies.

RESULT OVERVIEW

As of 31.12.2024:

- In November, the WBA published a report on trends and insights from five editions of the Corporate Human Rights Benchmark (CHRB), covering the period 2018 to 2023.
- The report found that 64% of companies have made progress during this period. However, it also highlighted that concrete measures benefiting workers remain insufficient, though grievance mechanisms have become more accessible.
- In June, Ethos also participated online in a five-year strategic review of the CHRB.

INVESTOR ENGAGEMENT GROUP - XINJIANG UYGHUR AUTONOMOUS REGION

SDG

SDG 8: Decent Work and Economic Growth
SDG 10: Reduced Inequalities

UNGC PRINCIPLES

Principle 1: support and respect human rights
Principle 2: no human rights abuse
Principle 3: freedom of association and collective bargaining
Principle 4: no forced labor

SUMMARY

The EEP International and a group of institutional investors, coordinated by the Interfaith Center on Corporate Responsibility (ICCR) and Rathbone Investment Management have sent letters to companies exposed to risks of forced labor in the Xinjiang Uyghur Autonomous Region urging them to review their supply chains in the region.

DESCRIPTION

Different news outlets have continued to report on the ongoing human rights violations in the Xinjiang Uyghur Autonomous Region (XUAR). The available information draws a gloomy picture of the situation: an estimated 1.8 million Uyghur and other Turkic and Muslim people have been subject to extrajudicial detention in internment camps, prisons and factories in and outside the Xinjiang region. The report “Uyghurs for Sale” published in March 2020 by the Australian Strategic Policy Institute (ASPI) confirms wide-spread forced labor and the use of mass surveillance of people in and from Xinjiang, through the use of technology.

The Chinese government has facilitated the mass transfer of Uyghurs from the far west region of Xinjiang to factories across the country. Under conditions that strongly suggest forced labor, Uyghurs are working in factories that are in the supply chains of many well-known global brands in the technology, clothing and automotive sectors.

The report estimates that more than 80,000 Uyghurs were transferred out of Xinjiang to work in factories across China between 2017 and 2019. In factories far away from home, they typically live in segregated dormitories, undergo organized Mandarin lessons and ideological training outside working hours, are subject to constant surveillance and are not allowed to participate in religious traditions. Numerous sources, including government documents, show that transferred workers are assigned minders and have limited freedom of movement.

To react to this situation, a group of institutional investors coordinated by the ICCR and Rathbone Investment Management have sent letters to companies exposed to risks of forced labor in Xinjiang. The letters call on the targeted companies to take the following actions:

- Complete a mapping of its supply chain, in and outside of China, to identify direct and indirect business relationships that are connected to XUAR
- Demonstrate steps to disengage any business relationships with suppliers connected with forced labor in and from XUAR, in particular those identified through reports
- Publicly disclose efforts and progress on the above including on how the company is working with the affected in determining remedy.

Global companies across multiple sectors have operations, supply chains and partnerships in Xinjiang, as well as in other parts of China and across the world connected to human rights violations in the Xinjiang region. Because of the scale of the ongoing human rights violations, investors are likely to be exposed to companies who are conducting business in the Xinjiang region, either directly or through business relationships. Having such investee companies raises significant ethical questions and reputational risks for responsible investors.

RESULT OVERVIEW

As of 31.12.2024:

- Ethos continued its role as lead investor with BMW in 2024. The legal complaint under the German Supply Chain Act remains pending. In a conference call in November, BMW outlined ongoing improvements in its human rights due diligence processes.
- Ethos also organized a conference call with Marks & Spencer, where the company explained how it had enhanced its capacity to trace the origin of cotton, aiming to minimize forced labour risks.
- Ethos co-signed two letters to Volkswagen, urging the company to implement more robust procedures for human rights due diligence assessments.

LETTERS TO ENCOURAGE UK COMPANIES TO REPORT AS REQUIRED BY THE MODERN SLAVERY ACT

SDG

SDG 8: Decent Work and Economic Growth
SDG 10: Reduced Inequalities

UNGC PRINCIPLES

Principle 4: no forced labor

SUMMARY

A group of institutional investors coordinated by Rathbones sent letters to companies included in the FTSE 350 index which do not comply with section 54 of the UK Modern Slavery Act requiring to have the modern slavery and human trafficking statement approved by the board of directors.

DESCRIPTION

Modern slavery is a widespread, criminal activity which has a significant economic impact globally. The ILO estimates turnover related to modern slavery to be around USD 150 billion with approximately 40 million people in some form of modern slavery. The exploitation of people through forced labor has been fueled by a growing number of global migrants in search of prosperity, more complex global supply chains and weak enforcement of laws by regulators.

The 2015 Modern Slavery Act was a landmark piece of legislation, requiring all companies over a certain size operating in the UK to report in detail on their approach to finding and eliminating modern slavery within their supply chains. The quality of reporting delivered under Section 54 of the Act can act as an important marker for how seriously senior management are taking this risk. It improves accountability and enables companies to identify the areas of their business most at risk. Companies which meet the reporting requirements and clearly disclose the areas of their businesses most susceptible to modern slavery benefit from increased investor confidence. Conversely, non-compliance with the Modern Slavery Act poses as a serious risk to long-term investors and questions the suitability of investing in such companies.

Despite the considerable time passed since the adoption of the law, more than 20 companies listed in the FTSE 350 index are not compliant with the Modern Slavery Act. Research by the NGO Business & Human Rights Resource Centre suggests that these companies have not complied with one or more of the following reporting requirements:

- The statement has been approved by the Board of Directors;
- The statement has been signed by a board member;
- The statement is updated on an annual basis

The letters call on the companies to comply with all provisions of the Modern Slavery Act. Doing so raises the credibility of these companies in terms of willingness to protect human rights and provides long-term investors with increased confidence in the risk management approach of the targeted companies. As sound risk management when it comes to preventing modern slavery makes continued investment more attractive, thus taking up the demands raised in these letters from investors is in the companies' own interest. For these reasons, the members of the EEP International signed the letters to over 20 companies urging them to comply with all provisions of the UK Modern Slavery Act.

RESULT OVERVIEW

As of 31.12.2024:

- As a result of this year's engagement, 30 out of the 32 targeted FTSE 350 companies committed to publishing reports in compliance with the Modern Slavery Act in 2024.

WORKFORCE DISCLOSURE INITIATIVE (WDI)

SDG

SDG 8: Decent Work and Economic Growth

UNGC PRINCIPLES

Principle 3: freedom of association and collective bargaining
Principle 4: no forced labor
Principle 6: no employment discrimination

SUMMARY

A group of institutional investors, coordinated by ShareAction, has initiated the Workforce Disclosure Initiative (WDI). The initiative aims at obtaining comparable information on employees from listed companies every year. The requested data relates on the one hand to the company's own employees and on the other hand to employees in the companies' supply chains.

DESCRIPTION

The WDI was launched in 2017 by 79 institutional investors with assets under management of USD 8,000 billion. The initiative aims to improve the transparency of large multinational companies regarding their human capital management. The primary objective of WDI is to improve the quality of jobs in multinational companies, both within the companies and in their supply chains. In doing so, the WDI is inspired by the CDP (Carbon Disclosure Project) and builds on existing reporting standards. The data requested from companies includes the composition of the workforce, human capital development and employee engagement.

Environmental risks are nowadays frequently well integrated into investment processes. This is mainly due to the pioneering work of the CDP in providing environmental data to integrate into investment decisions and creating a common framework for comparing companies. However, there is still a significant gap in data on social risks and benefits. In 2015, the UK Pensions and Lifetime Savings Association (PLSA) found that less than half of the FTSE 100 companies published data on staff turnover, less than a quarter published information on human capital development and only one in ten companies published information on the composition of their workforce. Even when companies do report, the information is rarely comparable across sectors, making it difficult for investors to include the information in their analysis. For this reason, investors have a keen interest in the availability and comparability of indicators on companies' human capital.

At the end of 2020, an Ethos representative was appointed to the advisory board of this important initiative. This election was renewed at the end of 2021 for the following two years. It is gratifying to note that Ethos was re-elected by the other investors involved in this open vote.

RESULT OVERVIEW

As of 31.12.2024:

- 144 companies participated in the questionnaire, marking a decline compared to the previous year (166). However, in 2024, only 463 companies were contacted (compared to 1,000 in 2023).
- Ethos engaged with 28 Swiss Market Index (SMI) companies, of which five completed the questionnaire in 2024.
- Additionally, Ethos contacted over ten international companies.

WORKING CONDITIONS AND RESPECT FOR HUMAN RIGHTS OF SWISS COMPANIES

SDG

SDG 5: Gender Equality
SDG 8: Decent Work and Economic Growth
SDG 10: Reduced Inequalities
SDG 16: Peace, Justice and Strong Institutions

UNGC PRINCIPLES

Principle 1: support and respect human rights
Principle 2: no human rights abuse
Principle 3: freedom of association and collective bargaining
Principle 4: no forced labor
Principle 5: no child labor
Principle 6: no employment discrimination
Principle 10: no corruption

SUMMARY

Following the rejection of the Responsible Business Initiative in November 2020, the counter-proposal providing for an obligation of transparency will come into force, but the duty of care will affect a very small number of companies.
Ethos believes that the ordinance on due diligence and transparency in the areas of minerals and metals from conflict zones and child labour is clearly insufficient in relation to international developments and the UN human rights guidelines. In view of the law, Ethos believes that it will be necessary to continue the dialogue with companies to voluntarily implement an extended duty of care on their international operations and supply chain

DESCRIPTION

A) Strategy and transparency on working conditions and human rights
Human resources management is a key element of a company's ESG strategy. Companies are expected to implement a transparent policy that confirms that these issues are identified and managed in an exemplary manner. The commitment covers specific issues as set out in the GRI reporting standard:

- Strategy and transparency in human resources management and working conditions (human resources management policy, organisation of satisfaction surveys, publication of staff turnover indicators, diversity and equal pay policy, employee training policy, % of employees trained, part-time work, on-call work policy, etc.)
- Code of conduct: ensure that companies apply a code of conduct respecting best practice in terms of employees' social rights, including clear guidelines for a protection system against mobbing and harassment with a transparent and independent whistleblowing system. The following indicators should be published to report on the implementation of the code to employees:
- Percentage of employees trained in the code of conduct, including during the past year.
- Total number of reports of non-compliance with the code of conduct, broken down by category of reported reports. Percentage of reports that were dealt with, resolved or found to be unfounded.
- Number of breaches of the code found during the year, broken down by category of breach.
- Publication of the outcome of investigations and, where appropriate, remedial actions taken.
- Occupational health and safety (implementation of OHSAS 18001 type certifications, publication of indicators such as the rate of accidents, deaths, absenteeism, or the impact of accidents on managers' remuneration, etc.)
- Human and social rights (risk management, non-discrimination policy, trade union freedoms, collective agreements, etc.).

B) Participation of Swiss companies in the Workforce Disclosure Initiative (WDI)
Ethos supports the standardisation of corporate transparency in the social field and participates in the Workforce Disclosure Initiative (WDI) with the Ethos Engagement Pool International. The 23 largest Swiss listed companies are covered by this international initiative. In 2022, Ethos has actively asked the Swiss companies included in the scope of this initiative to participate in the WDI questionnaire. A small number of companies are currently participating in the initiative.

Ethos proposes to continue this systematic dialogue within the framework of the Swiss EEP with the targeted Swiss companies in order to increase their participation in the questionnaire. It should be noted that WDI pre-fills the questionnaire on the basis of information already published by companies. The questionnaire allows companies to complete the information and investors to obtain standardised information.

C) Supply chain implementation
For several years, issues of multinational corporate responsibility have been an important part of the assessment of companies' ESG practices. While companies describe their employee policies in their codes of conduct, it is not clear that these policies are also applied to employees of supply chain companies, often located in emerging economies. Investors' expectations of responsible supply chain management cover both environmental and social issues. Particular emphasis is placed on social issues, including respect for human and labour rights. This requires, among other things, that companies establish a clear strategy for dealing with these issues, including the establishment of a specific code of conduct for their suppliers. However, to ensure that these measures are implemented, companies need to conduct regular audits of their suppliers.

Despite awareness and progress in company practices, many companies still do not have a specific code of conduct or even sustainability requirements for the management of their suppliers. Furthermore, the transparency of companies on implementation measures such as the publication of the number of audits carried out on suppliers and the measures taken to remedy identified shortcomings is still insufficient. At the international level, Ethos is involved in several initiatives on this topic that also affect some Swiss companies. For example, in the framework of the "leaving wages" initiative, Ethos has been actively engaged in a dialogue with Richemont on the issue of minimum wages in the supply chain.

Ethos' commitment for 2024 on this issue will be to ask companies to :

- Publish a code of conduct for suppliers, where appropriate ensure that they comply with the company or industry code of conduct
- Check that the coverage of issues is exhaustive, particularly with regard to respect for human rights
- Implement due diligence in accordance with the United Nations guidelines. This includes conducting regular human rights risk assessments of business partners, including before entering into a new contract or partnership with a supplier, taking appropriate measures to prevent human rights abuses, stopping existing abuses and reporting on actions taken.
- Conduct regular audits of key suppliers, particularly in countries at risk with regard to personal freedom or respect for human rights.
- Publish information on the mechanisms for implementing the code. This includes, for example, the number of audits carried out, the type of audit (announced or unannounced), the results of the audit and the measures taken to remedy any violations or breaches found.

RESULT OVERVIEW

Ethos' engagement on social issues focuses on ensuring that companies implement satisfactory policies and publish relevant indicators to measure their performance and the actual implementation of these policies. Initially, this theme was centred on sustainability requirements for suppliers but has since expanded to include the broader issue of human rights compliance and best practices in working conditions, both within companies' operations and their supply chains.

Significant progress has been made in recent years, particularly in the publication of workforce-related indicators, as well as in diversity and anti-discrimination measures. However, further efforts are still needed, especially regarding supplier-related requirements.

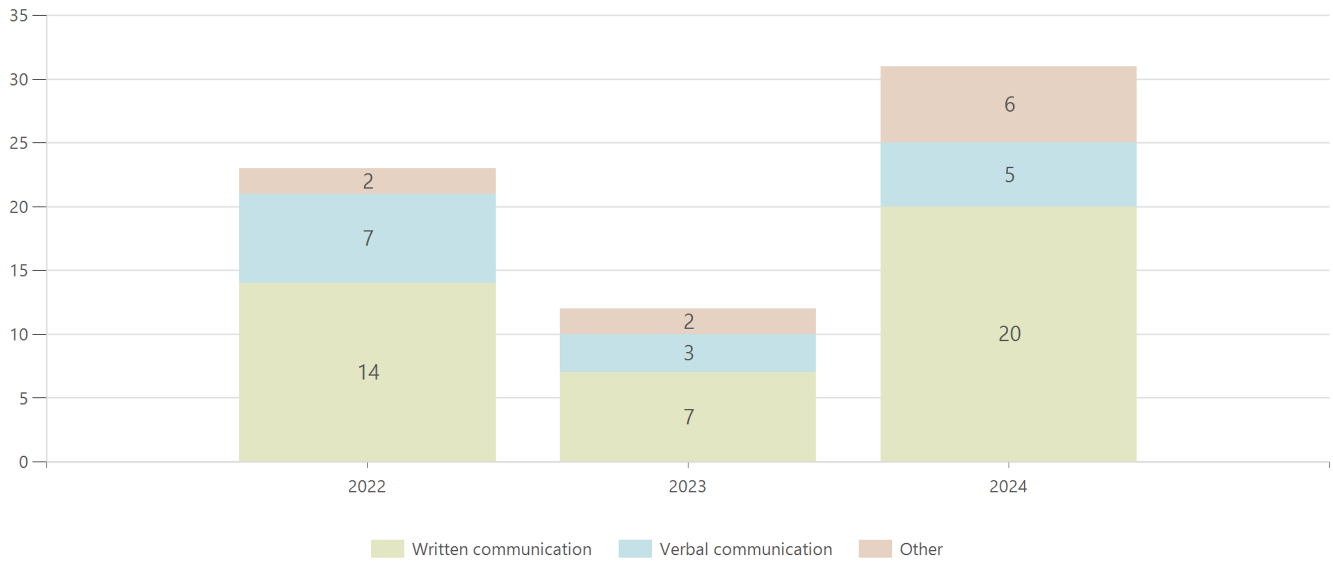
4. GOVERNANCE

4.1 OVERVIEW OF THE RELATED CAMPAIGNS

	NUMBER OF COMPANIES		
CAMPAIGN'S NAME	IN PORTFOLIO(S)	TOTAL	CAMPAIGN SIGNED ON
Adopting effective practices to address sustainability reporting	3	10	16.03.2022
Changes to the articles of association at Swiss companies in connection with the revision of the Code of Obligations	6	150	01.10.2022
Composition and functioning of the board of directors of Swiss companies	6	150	01.01.2005
Corporate Digital Responsibility of Swiss companies	5	47	01.01.2021
Environmental and social reporting by Swiss companies	6	150	01.01.2005
Remuneration of swiss companies	6	150	01.01.2005
Responsible Remuneration	1	6	09.08.2024
Tax responsibility of Swiss companies	6	150	01.01.2018
TOTAL 8			

The campaigns initiated by Ethos are in bold.

4.2 ENGAGEMENT ACTIONS WITH COMPANIES IN THE PORTFOLIO ON GOVERNANCE THEMES *



** Please find in appendix 6 the mapping of themes into the usual "Environment", "Social" and "Governance" pillars and the one of action types into categories "Written communication", "Verbal communication" and "Other".*

4.3 DETAILS OF THE RELATED CAMPAIGNS

ADOPTING EFFECTIVE PRACTICES TO ADDRESS SUSTAINABILITY REPORTING

SDG

Not applicable

UNGC PRINCIPLES

Not applicable

SUMMARY

Sustainability reporting is essential to enable investors to judge the non-financial performance of companies. It forms an indispensable basis for investment decisions and for judging the way in which companies' governing bodies manage these issues. Sustainability reporting allows to evaluate a company’s sustainability performance by assessing its sustainability strategy, ESG risk management, and exploitation of ESG opportunities. Companies benefit from disclosing material sustainability information.

DESCRIPTION

As investors, we believe that sustainable development matters equally to both companies and shareholders. Companies have much to gain by operating sustainably. There is sufficient evidence that companies fully integrating sustainability are better able to attract employees, achieve cost reductions and operational stability, build resilient supply chains, enhance their brand value, and protect their reputation. With the evolving regulatory framework, we are also convinced that company tackling environmental, social and governance (ESG) issues with conviction will be able to attract capital.
To this extent, sustainability reporting is important for investors to assess a company’s sustainability performance. Sustainability reporting is equally essential for assessing a company’s future sustainability strategy, how it deals with ESG risks and how it intends to profit from opportunities related to ESG issues. Thus, Clartan and Ethos are convinced that companies benefit from disclosing material sustainability information. For this reason, we expect companies in our portfolios to:

· *Implement sustainability reporting based on recognized international standards*
The sustainability report complies with a recognized sustainability accounting standard such as those of the Global Reporting Initiative (GRI) or the Sustainability Accounting Standards Board (SASB).

· *Implement sustainability reporting which addresses material ESG issues*
The sustainability report covers the most material ESG issues faced by the company identified using recognized sustainability standard such as those of the GRI or the SASB.

· *Mandate a third party to audit the sustainability reporting*
An independent third party audits the sustainability reporting or at least those sections which cover the most material ESG issues.

· *Participate in the Carbon Disclosure Project (CDP)*

RESULT OVERVIEW

At the end of the campaign (out of a total of 8 companies*):

- Two companies (25%) were reporting in accordance with the GRI standard, while three companies (37%) were reporting in reference to the GRI standard. Two companies (25%) were referring to the UNCG principles or SDGs as reporting framework. One company (13%) was not using any framework.
- Seven companies (87%) performed a materiality assessment, reported on Key Material Issues (KMIs) and set priorities for the upcoming years.
- Seven companies (87%) mandated a third party to audit their sustainability reporting, with six undergoing a complete audit and one undergoing a partial audit.
- Two companies (25%) participated in the CDP, one of which was a first-time participant, while the other improved its grade.
- Overall, three companies (37%) complied with at least three Key Performance Indicators (KPIs) set by Ethos.

**At the beginning of the campaign, the total of companies was 10. However, during the course of the campaign two companies were acquired by other companies and therefore set aside.*

CHANGES TO THE ARTICLES OF ASSOCIATION AT SWISS COMPANIES IN CONNECTION WITH THE REVISION OF THE CODE OF OBLIGATIONS

SDG

SDG 8: Decent Work and Economic Growth
SDG 16: Peace, Justice and Strong Institutions

UNGC PRINCIPLES

Principle 10: no corruption

SUMMARY

A major revision of the Code of Obligations relating to companies came into force on 1 January 2023 with consequences regarding shareholder rights, capital band and virtual assembly.

DESCRIPTION

Companies must adapt their articles of association until 31 December 2024 at the latest to comply with these new provisions. Ethos is particularly attentive to three points which could significantly harm shareholder rights and engages with companies if necessary to avoid deterioration. This concerns the following points:

- Shareholder rights: Ethos critically examines the proposed adaptation of the right of shareholders to add an item to the agenda of general meetings. The new law provides for a threshold of 0.5% of the capital. If the adaptation of the nominal value to a percentage of the capital leads to a deterioration of the threshold, Ethos recommends opposing the proposed modification.
- Capital band: The new code of obligations allows companies to include in their statutes the possibility of increasing and reducing their capital by more or less 50% during a period of 5 years. This potentially constitutes a major transfer of power from the general assembly to the board of directors. Ethos had included in its 2023 voting guidelines its expectations concerning the new possibilities allowed by the capital fluctuation margin. When the authorization has no specific declared purpose, Ethos accepts a capital fluctuation margin of 20% maximum capital increase, including 10% without right of pre-emption, and a reduction of 5% maximum.
- Virtual assembly: Ethos considers that physical general meetings must remain in place except in extraordinary circumstances authorized by the authorities as we experienced with the Covid-19 pandemic. The new code of obligations allows companies to organize hybrid meetings, which Ethos considers to be best practice, without any adaptation of the statutes. If companies want to organize a completely virtual meeting, they must include this possibility in their statutes. To guarantee the holding of a physical meeting alongside the virtual meeting, Ethos refuses any modification that would allow a company to hold general meetings only virtually.

RESULT OVERVIEW

COMPOSITION AND FUNCTIONING OF THE BOARD OF DIRECTORS OF SWISS COMPANIES

SDG

Not applicable

UNGC PRINCIPLES

Principle 10: no corruption

SUMMARY

As the highest governing body of a public company, the Board of Directors is elected by its shareholders, who attach great importance to its composition. The skills, independence, diversity and availability of board members therefore remain key issues. Ethos has been conducting a dialog with all Swiss companies on these issues since 2005.

DESCRIPTION

The aims of the engagement on the theme are as follows:

- Optimise the composition of the Board in terms of skills, independence, diversity and availability of its members. It is therefore important to ensure that the various aspects of diversity (gender, age, geographical representation), as well as skills (including digitalization) are well represented on the board.
- Sensitise companies to respect the quotas of 30% women on the board and 20% in the executive management provided for in the new code of obligations within a more reasonable timeframe than that provided for in the law (2026 for the board and 2031 for the executive management). Ethos applied a new criterion in 2022 in its recommendations to the general meeting. In the SPI companies, Ethos refused the re-election of 20 board members of companies included in the EEP universe (chairman of the nomination committee or chairman of the board if there is no nomination committee) if gender diversity was insufficient. In several dialogues with companies, they have been open and committed to being more transparent about their succession plans and diversity targets.
- Ensure regular renewal of the board to update its skills and rejuvenate it to maintain the momentum needed to meet the challenges of the future. Board renewal allows for the introduction of new ideas and ways of thinking and is also an opportunity to enhance diversity. Improve transparency on succession planning, in particular for companies with a significant shareholder represented on the board. In 2023, Ethos plans to amend its voting guidelines to refuse the re-election of board members if their term of office exceeds 16 years without valid explanation (instead of 20 years).

Sustainability governance is essential for companies to implement convincing environmental and social strategies as well as relevant and quality information. This governance requires that boards of directors develop sufficient expertise in this area and are accountable to shareholders for their involvement in defining and monitoring the sustainability strategy. In this context, Ethos will systematise the following demands to companies

- Establishment of a committee responsible for sustainability issues for the largest companies (SMI Expanded) ;
- Publication in the annual reports of the work done by the board of directors and its committees on sustainability issues;
- Appointment of members with expertise and experience in the field of sustainability, including specific company issues;
- The Audit Committee's consideration of the potential impact of climate change on the valuation of the company's assets.

RESULT OVERVIEW

In 2024, most indicators related to board composition among the companies in the engagement universe remained stable, with some at a satisfactory level.

On diversity, Ethos opposed the re-election of nomination committee chairs when the board had less than 20 % female representation without a valid justification.

Ethos engaged in numerous discussions with companies regarding board composition, particularly in the period leading up to the general meeting.

Maintaining a regular dialogue on these issues remains crucial, especially to ensure that new challenges are adequately addressed in board discussions, such as environmental and social issues, as well as those related to corporate digital and tax responsibility.

CORPORATE DIGITAL RESPONSIBILITY OF SWISS COMPANIES

SDG

SDG 3: Good Health and Well-Being
SDG 16: Peace, Justice and Strong Institutions

UNGC PRINCIPLES

Principle 1: support and respect human rights
Principle 6: no employment discrimination
Principle 9: encourage environmentally friendly technologies

SUMMARY

The digital revolution is creating new challenges for companies and their shareholders. Numerous scandals, including the Cambridge Analytica case, have highlighted the abuses that can result from the exploitation of private data for commercial and political purposes. This implies new ethical, legal, financial and reputational risks for companies. There is now a need to build trust between different stakeholders and companies. This is why the concept of Corporate Digital Responsibility has been developed.

DESCRIPTION

At the end of 2020, Ethos published an "Ethos Engagement Paper" on corporate digital responsibility in which the following 7 expectations are presented:

1. Establish a code of digital responsibility
2. Ensure transparency with stakeholders on digital practices and footprint
3. Adhere to the highest standards of data processing and protection
4. Implement ethical principles for the use of artificial intelligence (AI)
5. Exclude sensitive activities related to digitalisation
6. Ensure a fair and responsible social transition
7. Contribute to reducing the environmental footprint of digital technology

RESULT OVERVIEW

Between 2021 and 2023, Ethos reviewed the digital responsibility practices of the 48 largest companies listed on the Swiss stock exchange (SMI Expanded). These studies were conducted in collaboration with EthicsGrade, a company specialising in corporate ratings based on their management of digital issues, to assess the practices of Switzerland's largest listed companies. A questionnaire was sent to companies to allow them to explain their practices.

Between the first study published in January 2022 and the third study published in December 2023, Ethos engaged extensively with all the companies concerned on this topic. Numerous discussions took place during the three years covered by Ethos' studies, and engagement on digital responsibility is expected to intensify in the future, given the significant potential for improvement in this area.

Since 2024, Ethos has been collecting data directly as part of its ESG rating process, using publicly available information. This decision was driven by the significant gap between public information and the private information provided by companies during the study. In the last study conducted in 2023, the average score was 27.5 points out of 100, whereas it dropped to 15.6 points when based solely on public information.

ENVIRONMENTAL AND SOCIAL REPORTING BY SWISS COMPANIES

SDG

SDG 13: Climate Action

UNGC PRINCIPLES

Principle 7: precautionary approach to environmental challenges
Principle 8: promote environmental responsibility

SUMMARY

Environmental and social reporting is essential to enable investors to judge the non-financial performance of companies. It forms an indispensable basis for investment decisions and for judging the way in which companies' governing bodies manage these issues. Following the rejection of the Responsible Multinationals Initiative in November 2020, the counter-project "Transparency in Non-Financial Business" is expected to come into force in 2024 for the financial year 2023. It will require corporate transparency on environmental and social issues. Even if part of Ethos' expectations regarding non-financial reporting are met by the counter-project, the issue remains relevant. Indeed, the text of the law does not recommend the application of a recognised standard and the verification of information by an external body.

DESCRIPTION

To date, almost half of the companies in the Swiss EEP universe still do not publish a sustainability report according to a recognised standard. Furthermore, the quality, quantity and relevance of the information published still varies greatly between companies, which prevents comparability. It is clear that publishing a report is not an end in itself, but reporting remains an indispensable tool to account to shareholders for the actions taken and the progress made by companies during the year under consideration.

In 2023, Ethos noted a lot of progress by companies in this area and many companies have initiated internal projects to identify, measure and publish relevant indicators. The analysis of the new sustainability reports is ongoing. However, Ethos will continue to insist on the need for companies to communicate in a transparent manner by following an internationally recognised and widely used reporting framework, such as the Global Reporting Initiative (GRI).

In 2024, Ethos therefore proposes to continue to engage with companies with a particular focus on the following points

- Ask companies that do not publish any information to start reporting on their material issues;
- Encourage companies to adopt a recognised reporting standard, in particular the GRI standard;
- Participate in consultations with companies that are conducting a materiality analysis to identify priority ES issues;
- Encourage companies that already follow a standard for reporting to "opt in" to the Swiss Exchange;
- Ask companies to improve the quality of their reporting by publishing key performance indicators over at least three years, with specific targets for each indicator;
- Encourage companies to have their non-financial reporting verified by a recognised, independent external auditor and to publish the verification reports.

It should be noted that, according to the counter-project to the Responsible Multinationals Initiative, shareholders will be asked to vote on sustainability reports. The date of implementation is still being discussed at the political level and could only take place at the 2025 AGMs covering the financial year 2024. In this context, Ethos has integrated in its guidelines the criteria that will be applied to approve a sustainability report.

RESULT OVERVIEW

An increasing number of companies are publishing sustainability reports that Ethos considers satisfactory, meaning they cover key issues with quantitative indicators. In 2024, 58 % of these companies aligned their reports with the GRI standard.

Additionally, various legislative changes have had -or will have- a positive impact on the quantity and quality of non-financial information disclosed by companies. Articles 964a and following of the Swiss CO require companies of a certain size to prepare a report on non-financial matters and submit it for shareholder approval. At the same time, the Federal Council has approved an ordinance specifying the content of the climate-related section of the non-financial report, which will be mandatory from 2025 (for reports covering the 2024 financial year).

Dialogue and progress monitoring remain essential, as despite the new legal requirements, the content and quality of published reports remain inconsistent and do not always meet Ethos' expectations. Ethos will also closely monitor the decision of the Federal Assembly regarding the revision of Articles 964a and following of the Swiss CO, whose draft amendment proposes, among other measures, a mandatory audit of these reports and the requirement to follow specific reporting standards, which will be defined by ordinance.

REMUNERATION OF SWISS COMPANIES

SDG

Not applicable

UNGC PRINCIPLES

Not applicable

SUMMARY

The structure of executive remuneration and the transparency of remuneration reports remain a priority topic for dialogue. The powers of shareholders in Swiss companies to approve remuneration have become important since the Minder initiative came into force. While this has not necessarily led to a reduction in executive remuneration, it has resulted in greater shareholder control, which prevents excesses and improves transparency and the structure of remuneration.
In view of the latitude of interpretation left by Swiss legislation on how to submit the amounts of executive remuneration to shareholders, and despite intensive dialogue over several years, there is still a great deal of diversity in the solutions proposed concerning the methods of voting on remuneration and the amounts requested. This is also the case for the transparency of remuneration reports, which varies significantly from one company to another.

DESCRIPTION

For 2024, Ethos proposes to maintain its dialogue priorities in terms of remuneration. Companies will therefore be asked to:

- Publish the peer group(s) used to compare both the performance achieved and the remuneration paid to the management bodies.
- Provide sufficient explanations (ex-post) on the performance objectives set and the degree of achievement of these objectives (for the annual bonus or for long-term plans which have expired), in order to allow shareholders to monitor the link between remuneration and performance, as well as the relevance of the amounts actually paid to members of general management.
- Encourage companies to publish not only the total remuneration of management at the time of grant ("at grant"), but also the total remuneration actually received ("realized"), namely the sum of the different amounts received during the year under review. Unlike the remuneration at the time of allocation, the remuneration actually received includes the base salary and various contributions (to the pension fund, payments in kind, etc.), the annual bonus, as well as the amount actually received. obtained from the long-term plan which expired during the year under review. This information allows shareholders to confirm the link between remuneration and performance.
- Encourage companies to improve the transparency of agenda items relating to the approval of remuneration amounts for the board of directors and general management, particularly in the event of a prospective vote on the amounts. To allow shareholders to approve an amount in advance, companies should:

1. Publish separately the share reserved for the CEO from that of other members of general management. The pay gap between these two categories of people is in fact often significant (this applies by analogy to the chairman of the board of directors and the other members of the board).
2. Publish separately the portions reserved for fixed remuneration, short-term variable remuneration and long-term variable remuneration.
3. Request the amount corresponding to the maximum that can be paid at the end of the performance period, particularly in the context of long-term plans with leverage. If applicable, specify the method of valuation of shares/options. Indicate the number of beneficiaries affected by the amount requested.

- Continue to improve the general management remuneration system, which involves in particular:

1. Limit the variable portion of remuneration.
2. Make the definitive granting of a larger part of the variable remuneration subject to the achievement of long-term performance objectives, measured absolutely but also relative to the reference group. This is all the more important as the remuneration of members of general management is high.

- Encourage companies to integrate relevant, measurable and audited extra-financial performance criteria into the variable remuneration system. Environmental objectives are particularly relevant in the context of long-term variable remuneration plans (emission reduction objectives for example) while social indicators can be relevant in the annual bonus system (occupational safety and health indicator, human rights or staff turnover). The inclusion of such criteria in remuneration systems is spreading rapidly. However, it is necessary to keep a critical eye on these criteria to ensure that they are ambitious, measurable and published transparently in company documents.
- For companies that integrate climate performance criteria, Ethos will in particular verify that the criteria for reducing CO2 emissions are compatible with global warming of 1.5° maximum.

RESULT OVERVIEW

Executive compensation remains a priority topic in Ethos' engagement efforts. A transparent, reasonable, and long-term-oriented compensation system is a key element in creating long-term value. Ethos considers it essential to limit variable compensation to prevent excessive risk-taking.

Since Ethos began engaging on this issue in Switzerland in 2005, significant progress has been observed. In particular, shareholders now have expanded rights at company general meetings to prevent compensation excesses.

RESPONSIBLE REMUNERATION

SDG

SDG 16: Peace, Justice and Strong Institutions

UNGC PRINCIPLES

Principle 8: promote environmental responsibility

SUMMARY

Engagement campaign by Ethos to urge several companies to adopt responsible remuneration practices. Thus, contributing towards better alignment of interests between shareholders and executives.

DESCRIPTION

Misalignment between executive remuneration and the interests of shareholders remains an important concern of institutional investors. As a matter of fact, the remuneration system can strongly influence the risk-taking behavior of executives and thus impact the strategic direction of the company. On the other hand, companies that prioritize responsible remuneration are more likely to achieve long-term sustainability by avoiding excessive financial risks and by adopting a longer-term perspective. Excessive executive remuneration can negatively affect employee motivation, lead to a lack of commitment and talent retention. Companies can come under public criticism for excessive remuneration practices, and this can have a negative reputational impact. Finally, excessive remuneration encourages a widening gap between the pay of senior executives and that of other employees, thus contributing to an increase in social inequalities and the concentration of wealth.

Through the 'Responsible Remuneration' campaign, institutional investors will urge companies which received strong opposition by shareholders regarding their remuneration policy at their 2024 Annual General Meeting to implement responsible and measured remuneration systems that include:

- Setting reasonable absolute executive remuneration with the maximum variable CEO remuneration not more than 3 times the base salary.
- Integration of ESG-related metrics which must be clearly defined, quantified and ambitious.
- Assessment and publication of the pay gap both between men and women and between the highest paid person and the median salary, and an explanation of the measures taken to mitigate potential gaps.

The case for companies to adopt responsible remuneration practices and for investors to engage companies to that effect is compelling.

RESULT OVERVIEW

As of 31.12.2024:

- In September 2024, letters were sent to all board chairs, followed by reminder emails.
- In October, November, and December, the first conference calls were held with SAP, Renault, and Airbus, with further meetings planned.
- Initial findings indicate that the maximum variable CEO compensation threshold set by Ethos is significantly lower than current industry practices. Additionally, the pay-for-performance approach remains a key topic of discussion.

TAX RESPONSIBILITY OF SWISS COMPANIES

SDG

SDG 11: Sustainable Cities and Communities
SDG 16: Peace, Justice and Strong Institutions

UNGC PRINCIPLES

Principle 10: no corruption

SUMMARY

The dialog is based on Ethos' five expectations on tax responsibility, which were sent to the chairs of the boards of the 150 largest companies in the SPI at the end of 2018:

1. Responsibility for tax strategy lies with the board of directors
2. The principles of tax responsibility are incorporated in the company's code of conduct or in a specific document setting out the company's tax policy
3. The company pays its taxes where the economic value is generated
4. Intra-group transactions are conducted on market terms
5. The company publishes the amount of taxes paid, country by country.

DESCRIPTION

The aim of the dialogue on this theme is to raise awareness among businesses of the importance of transparency in tax practices. After a little over 4 years of dialogue on this subject, encouraging results have been achieved with certain companies. Several have already agreed to put in place a tax responsibility directive and publish it on their website. Some more proactive companies have even published tax contributions by region or on the most important countries where they have operations. On the other hand, companies remain reluctant to publish their full country-by-country declaration.

Ethos notes that from a legislative point of view several texts have come into force in recent years in the European Union (EU):

- The entry into force of the EU directive on the publication of country-by-country reports (EU's public CbCR Directive) in December 2021, with the obligation for countries to transpose the regulation into their national legislation by 22 June 2023. Given that any multinational company - European or not - which currently operates in the EU single market with a permanent presence in the Union and which has a turnover above 750 million euros must comply with the requirements, companies based in Switzerland are also affected. Under the Directive, certain multinational groups or autonomous entities, whether or not headquartered in the European Union, will be required to publish country-by-country data for each EU Member State, for each of the countries listed on the EU list of non-cooperative jurisdictions for tax purposes (the EU "blacklist") and for each of the countries appearing for two consecutive years on the list of jurisdictions which do not yet comply with all tax standards international organizations but who are committed to reforms (the EU "grey list").
- In December 2022, the EU launched the implementation of a global agreement among countries towards 15% taxation, which should have the consequences of limiting companies' aggressive tax optimization plans.

These regulatory projects should ultimately limit the need to engage in dialogue on these themes and push Swiss companies towards better transparency. However, pending the entry into force of European legislation, many uncertainties remain about the quality of the information that will be published by Swiss companies. Thus, Ethos proposes to continue its engagement activities related to tax responsibility to encourage Swiss multinationals to opt for a comprehensive declaration covering all activities at group level.

RESULT OVERVIEW

Since the introduction of this theme in 2018 and the distribution of Ethos' Engagement Paper on the subject to all companies in the engagement universe, the proportion of companies publishing information on their tax responsibility has increased, albeit at a slow pace.

In 2024, six companies publish a country-by-country tax report. During discussions with companies, it was highlighted that voluntary publication of country-by-country tax data could disadvantage those that choose to do so, as it would allow their competitors to better understand their tax strategy. However, these companies would support a public disclosure requirement, as it would ensure equal treatment. They therefore believe that country-by-country reporting should become mandatory before being widely implemented.

Ethos emphasises that several recent regulations in the European Union promote corporate transparency. The EU directive on country-by-country tax reporting, which came into force in December 2021, requires member states to transpose the legislation into national law by 22 June 2023. Companies, in turn, will have to publish their country-by-country tax information by 2026. This directive applies to all companies operating in the EU with revenues exceeding 750 million euro, including those headquartered in Switzerland.

These regulations should encourage Swiss companies to enhance their transparency. However, uncertainties remain regarding the quality of the information that will be published. Ethos will continue its dialogue with Swiss companies to monitor the implementation of these new obligations and to ensure that they comply with enhanced transparency standards.

REGULATORY AUTHORITIES

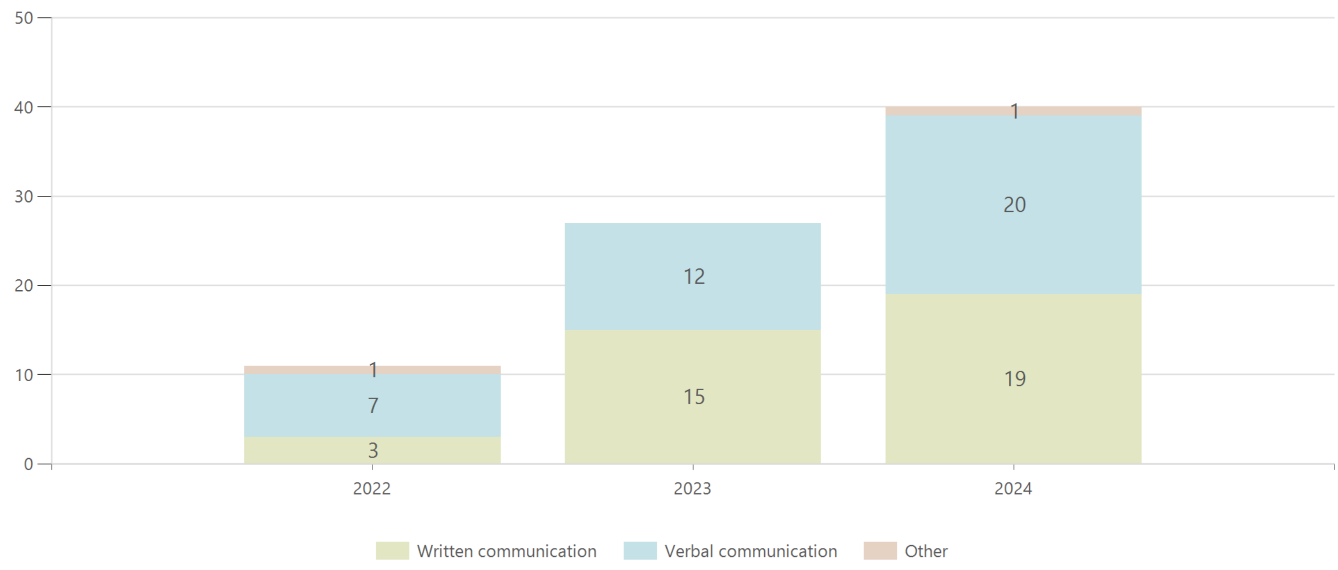
5. REGULATORY AUTHORITIES

5.1 ENGAGEMENT CAMPAIGNS WITH REGULATORY AUTHORITIES

CAMPAIGN'S NAME	CAMPAIGN SIGNED ON
Ambitious methane regulation for the US oil and gas Industry	07.04.2021
Global adoption of the ISSB sustainability reporting standards S1 and S2	10.10.2023
Importance of social standards with the International Sustainability Standards Board (ISSB)	03.08.2023
Investor Policy Dialogue on Deforestation (IPDD)	14.06.2022
Investor policy platform for biodiversity	30.09.2024
Investor statement to end plastic pollution	22.03.2024
Investor Statement to Governments on the Climate Crisis	26.06.2024
Letter to the SEC for the release of the Climate Disclosure Rule	23.09.2022
Support letter for a ban of non-competition clauses in the US	29.03.2023
Support of human rights and environmental due diligence legislation in the UK	18.03.2024
TOTAL 10	

The campaigns initiated by Ethos are in bold.

5.2 ENGAGEMENT ACTIONS WITH REGULATORY AUTHORITIES



5.3 DETAILS OF THE RELATED CAMPAIGNS

AMBITIOUS METHANE REGULATION FOR THE US OIL AND GAS INDUSTRY

SDG

SDG 13: Climate Action

UNGC PRINCIPLES

Principle 7: precautionary approach to environmental challenges
Principle 8: promote environmental responsibility
Principle 9: encourage environmentally friendly technologies

SUMMARY

A group of institutional investors coordinated by the Interfaith Center on Corporate Responsibility (ICCR) published an investor statement urging the EPA to strengthen methane regulations for the US oil and gas industry.

DESCRIPTION

According to the Intergovernmental Panel on Climate Change (IPCC) methane is 84 times more potent than CO2 over a period of 20 years, making it a serious contributor to climate change. It is estimated that Methane emissions account for 25% of atmosphere warming linked to human activity.

The oil and gas industry is the largest industrial source of methane emissions causing 28% of U.S. emissions. At the same time, research by the International Energy Agency (IEA) shows clear scope to reduce emissions cost-effectively. Methane, the main component of natural gas, has a commercial value and additional methane captured can be sold. This means that methane emissions reductions could result in economic savings or at least be carried out at a very low cost.

The mitigation of climate change risks in portfolios is very important for institutional investors. Thus, they are increasingly concerned about the significant regulatory, financial, and reputational risks posed by extensive methane emissions from companies in their portfolios. For this reason, the statement is calling on the EPA to develop and implement ambitious policies designed to:

- Address all potentially significant sources of oil and gas industry methane emissions, including inactive or abandoned wells;
- Ensure rapid detection and mitigation of natural gas leaks;
- Minimize gas venting and flaring;
- Support development and deployment of innovative technologies for methane mitigation;
- Achieve ambitious emission reductions in a reasonably cost-effective manner.

Institutional investors are aware of the urgency of rapidly limit methane emissions from the oil and gas sector. The potential of natural gas as a bridge to a low-carbon future can only be realized if the associated methane emissions can be kept to an absolute minimum. Thus, the members of the EEP International support this investor statement urging the EPA to strengthen methane regulations for the US oil and gas industry.

RESULT OVERVIEW

As of 31.12.2024:

- In March, the final version of the EPA standards for methane emissions from the oil and gas industry was published. Thanks to the strong engagement of all stakeholders, this regulation is supported by industry companies.
- The EPA officially released the final updates to methane reporting requirements for the oil and gas industry, which were incorporated into the Inflation Reduction Act (IRA).
- The campaign was completed this year.

GLOBAL ADOPTION OF THE ISSB SUSTAINABILITY REPORTING STANDARDS S1 AND S2

SDG

SDG 13: Climate Action

UNGC PRINCIPLES

Principle 8: promote environmental responsibility

SUMMARY

A group of institutional investors, coordinated by the Principles for Responsible Investment (PRI), the London Stock Exchange Group (LSEG) and the UN Sustainable Stock Exchanges (SSE) will publish an investor declaration to call upon relevant authorities across jurisdictions to adopt the ISSB sustainability reporting standards IFRS S1 and IFRS S2 on an economy-wide basis by 2025.

DESCRIPTION

The International Sustainability Standards Board (ISSB) develops sustainability disclosure standards for the International Financial Reporting Standards (IFRS) organization. In June 2023, the ISSB released two standards for corporate sustainability reporting, the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and the IFRS S2 Climate-related Disclosures. These ISSB standards establish a global baseline for the provision of sustainability information for capital markets. The transition to net zero and a sustainable global economy requires an efficient allocation of capital and effective management of the associated risks and opportunities. In this context, consistent, reliable and decision-useful sustainability data from companies is essential. The ISSB's climate standard S2 includes requirements on transition plans and corporate decarbonization strategies. This is all the more important because according to FTSE Russell, over 40% of the 4'000 largest listed companies globally did not disclose their operational carbon emissions in 2022.
The standards hence provide a unique opportunity to bring about global alignment and interoperability in the area of sustainability reporting. Thus promoting the availability of consistent data across investment portfolios and supporting effective investment decisions. The IFRS S1 and IFRS S2 are both based on the framework established by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) and other well-established voluntary sustainability reporting initiatives. The two standards have been endorsed by the International Organization of Securities Commissions (IOSCO), where Switzerland is a member alongside 34 other states. Therefore, ensuring disclosure frameworks use or incorporate these new standards to set a global baseline is a natural next step to build on existing progress and prompt companies to report material information on climate and other sustainability-related risks and opportunities.

The investor statement calls for the:

· Commitment from relevant authorities across jurisdictions to adopt the ISSB standards IFRS S1 and IFRS S2 on an economy-wide basis by 2025.

In line with the call to action, the investors recommend the consideration of the following principles when developing disclosure requirements:

· **International coordination:** the ISSB's work brings together existing standards bodies and approaches. It provides a baseline which jurisdictions can adopt and build on by including more country- or region-specific elements.

· **Economy-wide scope**: Given the equal need for sustainability-related information, the disclosure rules should apply to publicly listed as well as privately held companies. This requires capacity building among preparers, users and auditors of sustainability reporting. Disclosures must also be proportionate based on company size.

· **Timely implementation:** For over a decade, institutional investors have been calling for standardized globally consistent corporate sustainability data. There is an urgent need for this data to enable capital markets to act more efficiently and effectively and to account for sustainability priorities. The world is already falling behind in achieving the Paris Agreement so swift adoption of these standards by 2025 is essential.

By supporting the investor statement on the timely and economy-wide adoption of the ISSB standards IFRS S1 and S2, institutional investors will send a powerful message to policymakers to introduce requirements on the disclosure of consistent, reliable and decision-useful sustainability related information for companies. Thus, the members of the Ethos Engagement Pool International will support the investor statement on the adoption of the ISSB sustainability reporting standards.

RESULT OVERVIEW

As of 31.12.2024:

- The investor statement was published in May 2024 at the annual conference of the International Organization of Securities Commissions (IOSCO).
- The statement is frequently referenced in PRI-led policy engagements with countries considering the adoption of the ISSB standards.
- By December 2024, more than 30 countries had adopted or were in the process of adopting these sustainability standards.
- The countries making progress on ISSB standard adoption represent approximately 57% of global GDP, more than 40% of global market capitalization, and over half of global GHG emissions.

IMPORTANCE OF SOCIAL STANDARDS WITH THE INTERNATIONAL SUSTAINABILITY STANDARDS BOARD (ISSB)

SDG

SDG 10: Reduced Inequalities

UNGC PRINCIPLES

Principle 1: support and respect human rights
Principle 2: no human rights abuse
Principle 3: freedom of association and collective bargaining
Principle 4: no forced labor
Principle 6: no employment discrimination

SUMMARY

A group of institutional investors, coordinated by ShareAction will publish an investor letter to call on the International Sustainability Standards Board (ISSB) to prioritize human rights and human capital in its next workplan and to consider these areas together.

DESCRIPTION

In June 2023, the International Sustainability Standards Board (ISSB) released two standards for corporate sustainability reporting, the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and the IFRS S2 Climate-related Disclosures. The ISSB develops sustainability disclosure standards for the International Financial Reporting Standards (IFRS) organization. The ISSB has now issued a Request for Information (RFI) to define its upcoming two-year workplan for the period 2024-2025. Through the RFI, the ISSB is seeking to understand investors' thematic priorities for sustainability reporting and the approach institutional investors believe the ISSB should take to developing new standards.

The investor letter in particular calls upon the ISSR to:

- Prioritize new research and standard setting projects relating to human rights and human capital.
- Consider the areas of human rights and human capital together.

After the release of the standards for general and climate-related disclosures, it is important that the ISSB now prioritizes human capital and human rights in its upcoming workplan. The financial materiality of human capital and human rights-related topics – and the critical role of human rights due diligence in identifying business risks – has never been clearer.
In recent years, companies have been increasingly affected by growing resignation numbers, layoffs, staff shortages and supply chain troubles following the COVID-19 pandemic. In addition, investor demand for more and better-quality workforce data and interest in related issues continues to grow. This can be illustrated by the fact that in the US, the 2023 AGM season saw a surge in the number of shareholder proposals centered around social issues (at least 420), surpassing the previous record set in 2022 (409).

In its current RFI, the ISSB has opted to separate human capital and human rights into two separate research areas. By siloing these two highly interconnected topics, the ISSB is not reflecting the reality of market practices. In practice, neither companies nor investors treat human capital and human rights as two distinct separate areas. Human rights due diligence processes, for example, are used as key tools for identifying labour issues. There are other areas of crossover, including concepts like collective bargaining, diversity and inclusion, which are both human capital and human rights issues. By separating them conceptually, the ISSB risks creating overlapping disclosures which will add further confusion to the already fragmented social disclosure landscape currently being navigated by companies and investors. The letter also suggests that the ISSB draws on the Workforce Disclosure Initiative (WDI) and other investor-focused disclosure frameworks for social data.

The International Organization of Securities commissions (IOSCO) – where Switzerland is a member - has announced on 25th July 2023 that it endorses the first two ISSB standards. It is thus a unique opportunity to now develop universally accepted standards for human capital and human rights-related disclosures and to take on the issues of human rights and human capital effectively and successfully as a priority.

By supporting the investor statement on the importance of social standards with the ISSB, institutional investors will reinforce the message to the ISSB to prioritize human rights and human capital and to consider these areas together. Thus, the members of the Ethos Engagement Pool International will support the investor statement on social standards with the ISSB.

RESULT OVERVIEW

As of 31.12.2024:

- The updated ISSB work plan for 2024–2026 was published in June.
- In line with the investor statement’s request, the ISSB added a research project to its work plan to explore sustainability-related risks and opportunities related to human capital. This research will later inform the development of a new reporting standard.
- Ethos participated in a consultation call with ISSB representatives, sharing its approach to human capital.

INVESTOR POLICY DIALOGUE ON DEFORESTATION (IPDD)

SDG

SDG 15: Life On Land

UNGC PRINCIPLES

Principle 1: support and respect human rights
Principle 7: precautionary approach to environmental challenges
Principle 8: promote environmental responsibility

SUMMARY

A group of institutional investors coordinated by the Tropical Forest Alliance, the World Economic Forum (WEF) and supported by the Principles for Responsible Investment (PRI) set up an initiative to engage with public agencies and industry associations in selected countries (Brazil and Indonesia) on the issue of deforestation.

DESCRIPTION

Agriculture, forestry and land use account for 24% of the greenhouse gas emissions arising from human activity, with the majority of this coming from land use change and tropical deforestation and degradation. On the other hand, as per the IPCC, the mitigation potential of reduced deforestation is about one-third of total global GHG emissions. Beyond climate-related risks, land use change also affects agricultural productivity, through a loss of biodiversity and ecosystem services, soil degradation and disruption of hydrological cycles, creating a risk to the food security of a growing global population.

Investors recognize the crucial role that tropical forests play in tackling climate change, protecting biodiversity and ensuring ecosystem services. Most countries do have some measures in place to combat deforestation, while at the same time providing favorable conditions for business and investments. However, escalating deforestation in countries rich in forest resources, combined with the weakening environmental and human rights policies as well as lack of effective enforcement are creating widespread uncertainty about the conditions for investing in or providing financial services to these countries.

The goal of the Investor Policy Dialogue on Deforestation (IPDD) is to coordinate a dialogue on halting deforestation with the policy makers of exposed countries. The IPDD seeks to ensure the long-term financial sustainability of investments in the countries they are invested in by promoting sustainable land use and forest management and respect for human rights, with an initial focus on tropical forests. It will work with key stakeholders to encourage adoption and implementation of regulatory frameworks that ensure protection of natural assets and human rights.

An initial focus will be on Brazil, with the initiative coordinating a dialogue with Brazilian government related authorities and associations. Specifically, the IPDD initiative is urging the government of Brazil to commit to eliminating deforestation and to protecting the rights of indigenous peoples via five measures:

1. Significant reduction in deforestation rates, i.e., showing credible efforts to comply with the commitment set down in Brazil's Climate Law, article 19
2. Enforcement of Brazil's Forest Code
3. Reinforcement of Brazil's agencies tasked with implementing environmental and human rights legislation, and avoidance of any legislative developments that my negatively impact forest protection
4. Prevention of fires in or near forest areas, to avoid a repetition of fires like in 2019
5. Public access to data on deforestation, forest cover, tenure, and traceability of commodity supply chains

Investors are concerned about the financial impact that deforestation and the violation of the rights of indigenous peoples and local communities may have on their investee companies, by potentially increasing reputational, operational, and regulatory risks. Investors are concerned that companies exposed to potential deforestation in their direct operations and supply chains in these countries will face increasing difficulty accessing international markets. The sovereign bonds of these countries are also likely to be deemed high risk if deforestation continues.
Thus, the members of the EEP International will support the Investor Policy Dialogue on Deforestation.

RESULT OVERVIEW

As of 31.12.2024:

- In-person meetings were held in Brazil with the National Bank for Economic and Social Development (BNDES), the Central Bank of Brazil (BCB), and the Brazilian Ministry of Agriculture.
- The investor group publicly opposed the postponement of the European Deforestation Regulation (EUDR) and the cancellation of the "Amazon Soy Moratorium" in Brazil.

INVESTOR POLICY PLATFORM FOR BIODIVERSITY

SDG

SDG 6: Clean Water and Sanitation
SDG 7: Affordable and Clean Energy
SDG 9: Industry, Innovation and Infrastructure

UNGC PRINCIPLES

Principle 7: precautionary approach to environmental challenges
Principle 8: promote environmental responsibility

SUMMARY

A group of long-term investors, coordinated by the Church of England, will create an investor policy platform for biodiversity to urge governments to halt and reverse biodiversity loss. The first action is a statement to governments to be published in the run-up to the United Nations Convention on Biodiversity COP16 conference in Colombia, in October 2024.

DESCRIPTION

Biodiversity and nature loss is a systemic risk to the global economy with direct and indirect effects across the entire economic and financial system and can impact investment returns in all asset classes and markets, to which long-term investors are exposed through their broadly diversified portfolios.

The consequences of biodiversity and nature loss can be material to the global economy but notoriously difficult to forecast. Biodiversity loss will likely drive the spread of disease, affect food security through the gradual decline of pollinators and impact water quality and availability, thus affecting current and future pensioners and their communities directly. Long-term investors play a key role in directing investment flows and are an important voice in sustainability and economic debates especially to address the root causes contributing to this crisis.

Effective nature and biodiversity policies and robust regulations are needed at all levels of governments to protect the inherent value in nature to society but also to protect the proper functioning of markets and the global economy.

Thus, as part of this campaign responsible long-term investors are calling on governments to:

- Implement national transition plans and targets to halt and reverse biodiversity loss and combat the six drivers of biodiversity loss identified by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES)
- Implement mandatory biodiversity-outcome linked disclosure
- Establish and scale regulation to protect nature
- Invest in the development and scaling of nature financial mechanisms

In a second step, the campaign will consider establishing a series of working groups to advance on certain topics in order to organize ongoing engagement with governments at domestic level and/ or via sovereign debt.

The case for long-term investors to join this campaign and to call on global governments to address nature and biodiversity loss is compelling.

RESULT OVERVIEW

As of 31.12.2024:

- The platform's first activity was an investor statement addressed to governments, published in October ahead of the UN COP16 Conference on Biodiversity in Colombia.

INVESTOR STATEMENT TO END PLASTIC POLLUTION

SDG

SDG 12: Responsible Production and Consumption
SDG 14: Life Below Water

UNGC PRINCIPLES

Principle 1: support and respect human rights
Principle 7: precautionary approach to environmental challenges
Principle 8: promote environmental responsibility
Principle 9: encourage environmentally friendly technologies

SUMMARY

A group of institutional investors, coordinated by UNEP FI, PRI, Finance for Biodiversity Foundation, Business Coalition for a Global Plastics Treaty, Dutch Association of Investors for Sustainable Development (VBDO) and CDP, will publish a statement calling for an ambitious international legally binding instrument to end plastic pollution.

DESCRIPTION

The world is facing a triple challenge of climate change, biodiversity loss and pollution. Over recent decades, the production and consumption of plastic, particularly single-use items, has surged. The resulting increase in plastic waste and pollution is a significant and growing threat to climate change, biodiversity, human rights, and public health. These risks cannot be mitigated easily, and they threaten the functioning of wider systems on which financial performance relies.

Action taken by the financial sector could play a crucial role in addressing the root causes of plastic pollution and in enabling a sustainable, safe, and just circular plastics economy including the full life cycle of plastic and supporting the development of circular business models for reducing, reusing, refilling, and repairing plastic products.

Increasingly, the financial sector is stepping up to the plastic pollution challenge in line with internationally agreed framework such as the Paris Agreement and the Kunming-Montreal Global Biodiversity Framework and by engaging with governments on the international legally binding instrument (ILBI) negotiations, which provides an opportunity to establish a global policy mandate with regards to eliminating plastic pollution.

The investors are calling on governments to agree an ambitious ILBI that sets a clear objective to end plastic pollution. An instrument which is supported by binding rules and obligations for governments to address the full life cycle of plastic. A robust ILBI agreement would:

- Set an objective to align financial flows, public and private with the objectives of the ILBI;
- Set harmonized targets and binding obligations across the plastics value chain;
- Enable and ensure companies assess and disclose plastic related risks and opportunities;
- Promote an enabling policy environment for the transition to a sustainable and equitable economy;
- Catalyze further private investment to end plastic pollution through public-private partnerships, blended finance and de-risking mechanisms;
- Identify and optimize the synergies between financial flows addressing plastic pollution, climate action, and biodiversity preservation and restoration.

Joining this campaign and supporting the statement offer the members of the Ethos Engagement Pool International an opportunity to contribute towards ending plastic pollution by supporting a robust international legally binding instrument. Thus, the members of the Ethos Engagement Pool International will support this campaign.

RESULT OVERVIEW

As of 31.12.2024:

- In early December, the fifth session of the Intergovernmental Negotiating Committee (INC-5) took place in Busan, South Korea, with the goal of finalising a global plastics treaty.
- Unfortunately, the participating states failed to reach an agreement on a final version of the treaty.

INVESTOR STATEMENT TO GOVERNMENTS ON THE CLIMATE CRISIS

SDG

SDG 9: Industry, Innovation and Infrastructure
SDG 11: Sustainable Cities and Communities
SDG 13: Climate Action

UNGC PRINCIPLES

Principle 7: precautionary approach to environmental challenges
Principle 8: promote environmental responsibility
Principle 9: encourage environmentally friendly technologies

SUMMARY

A group of institutional investors coordinated by seven investor networks will publish a global investor statement urging governments to do everything in their power to limit global warming to 1.5 degrees and achieve net-zero emissions by 2050 or sooner.

DESCRIPTION

Against the ever-clearer manifestation of climate-related risks and the necessary energy transition institutional investors are committed to ensuring portfolio value and generating returns over the long term for their beneficiaries in line with their fiduciary duty. However, to make this transition effective and at the rate and scale necessary, markets must be conducive to private sector investment with the appropriate legal, policy, and regulatory conditions.
The 2023 United Nations climate conference (COP28) reaffirmed the need for urgent action to achieve the ambition of the Paris Agreement and limit global temperature rise to 1.5ºC above preindustrial levels. It is recognized that policy mechanisms are essential to achieve a climate-resilient, net zero emissions economy by 2050 or sooner, with interim targets in line with credible 1.5°C pathways.
Public policies enacted in the last few years – including the U.S. Inflation Reduction Act and the E.U. Fit for 55 package – have helped to accelerate investment in global clean energy by 40% since 2020, reaching approximately USD 1.8 trillion in 2023. However, this falls short of the annual USD 4.8 trillion by 2030 needed for the global economy to reach net zero emissions by 2050 as estimated by Bloomberg.
Clearly, non-policy mechanisms, including public-private partnerships, sectoral strategies, and other collaborative efforts, should also play an important role in decarbonizing value chains and building out resilient electricity infrastructure. But clear and ambitious policy making are required for the energy transition to accelerate, thus in the run-up to this year's climate conference in Baku (COP 29), responsible investors call on governments to raise climate ambition and achieve the following goals:

1. Enact economy-wide public policies align with the goal of limiting global temperature rise to 1.5°C
2. Implement sectoral transition strategies, especially in high-emitting sectors
3. Address nature, water and biodiversity-related challenges contributing to and stemming from the climate crisis
4. Mandate climate-related disclosures across the financial system:
5. Mobilise further private investment into climate mitigation, resilience and adaptation activities in Emerging Markets and Developing Economies (EMDEs)

Institutional Investors have substantial influence on policymakers and, therefore, policy engagement by responsible long-term investors is an important extension of these investors' responsibilities and fiduciary duties to their beneficiaries. Thus, Ethos supports this investor statement encouraging governments to do everything in their power to limit global warming to 1.5 degrees.

RESULT OVERVIEW

As of 31.12.2024:

- The declaration was signed by 534 institutional investors representing USD 29,000 billion in assets under management.

LETTER TO THE SEC FOR THE RELEASE OF THE CLIMATE DISCLOSURE RULE

SDG

SDG 13: Climate Action

UNGC PRINCIPLES

Principle 7: precautionary approach to environmental challenges
Principle 8: promote environmental responsibility

SUMMARY

A group of institutional investors coordinated by As You Sow has published an investor letter asking for the quick release of the SEC's final Climate Disclosure Rule and the inclusion of Scope 1,2 and 3 emissions in the rule.

DESCRIPTION

The climate risks are growing rapidly, and investors need full and comparable data to make informed capital allocation decisions. Evidence of unacknowledged or mispriced climate risks can be found across different companies and asset classes. For example, transition risks which are likely to lead to higher carbon and electricity prices, result in stranded assets, and physical risks related to floods and droughts.

In March 2022, the Securities and Exchange Commission (SEC) has proposed rules to enhance and standardize climate-related disclosures for investors in the US. The SEC reportedly is under considerable pressure to delay the final release of the Climate Disclosure Rule and remove Scope 3 reporting from this rule even if several comment letters responding to the prior consultation and public statements outline how investors use Scope 3 emissions data to drive investment decision and manage risk. Indeed, Scope 3 emissions represent more than 75 percent of company emissions on average, according to CDP.

Since the Climate Disclosure Rule was proposed, the need for accurate climate-related emissions data has continued to grow due to the increasing physical and economic risks associated with climate change which manifested with destruction and harm across the US this summer.

The letter makes clear that investors require accurate disclosures on material climate change risks and asks the SEC for the quick release of the final Climate Disclosure Rule and the inclusion of Scope 1, 2, and 3 emissions in the rule.

As the rule will clearly provide relevant disclosures and comparability necessary for investors to assess material climate risk and thus make better informed investment decisions, the members of the EEP International support this investor letter to the SEC.

RESULT OVERVIEW

As of 31.12.2024:

- In March, the SEC adopted the Climate Disclosure Rule, requiring publicly listed companies to disclose their GHG emissions, risk analysis, and other climate-related information.
- Unfortunately, Scope 3 emissions were not included in this regulation, despite representing a significant share of total emissions.
- The campaign was completed this year.

SUPPORT LETTER FOR A BAN OF NON-COMPETITION CLAUSES IN THE US

SDG

SDG 8: Decent Work and Economic Growth
SDG 10: Reduced Inequalities

UNGC PRINCIPLES

Principle 6: no employment discrimination

SUMMARY

A group of institutional investors coordinated by Zevin Asset Management and the Interfaith Center on Corporate Responsibility (ICCR) has sent a letter to the US Federal Trade Commission to support its proposal to eliminate non-competition clauses in employment contracts.

DESCRIPTION

In January 2023, the US Federal Trade Commission (FTC) proposed a rule to categorically prohibit employers from imposing non-competition clauses on workers (with a few exceptions). Non-competition clauses block people from working for a competing employer or starting a competing business, after their employment ends. Non-competition clauses currently apply to one in five American workers, in total approximately 30 million people.
By preventing workers across the labor force from pursuing better opportunities that offer better pay or working conditions, and by preventing employers from hiring qualified workers bound by these contracts, non-competition clauses hurt workers and harm competition. The business case to prohibit such clauses is manyfold:

- Non-competition clauses significantly reduce workers' wages because when employers use non-competition clauses to restrict workers from moving freely, they have the power to suppress wages and avoid having to compete to attract workers.
- Non-competition clauses stifle new businesses and new ideas because potential entrepreneurs are prevented from forming new businesses and workers are deterred from bringing innovative ideas to new companies.
- Non-competition clauses can exploit workers and hinder economic liberty because workers often have less bargaining power than their employers with non-competition clauses used as 'take-it-or-leave-it' arrangements coercing workers into staying in jobs they would rather leave.
- According to evidence from three US states that already banned non-competition clauses, employers have other ways to protect trade secrets and other valuable investments that are significantly less harmful to workers and consumers.

According to FTC estimates, the proposed rule could increase workers' earnings across industries and job levels by USD 250 to 296 billion per year. Research also finds that banning non-competition clauses would close racial and gender wage gaps by up to 9 per cent. The FTC bases the ban on the finding that non-competition clauses constitute an unfair method of competition and violates parts of the Trade Commission Act. FTC's new rule would make it illegal for an employer to enter into or maintain an employment contract with a non-competition clause with a worker. The proposed rule would apply to independent contractors and anyone who works for an employer, paid or unpaid. It would also require employers to rescind existing clauses and actively inform workers that they are no longer in effect.

There is compelling evidence of the positive outcomes of banning existing non-competition clauses both for the economy and workers. Thus, the members of the EEP International will co-sign the letter to the FTC in support of their proposal to rescind and eliminate non-competition clauses in employment contracts.

RESULT OVERVIEW

As of 31.12.2024:

- This policy engagement was completed by the end of 2024 after the initiating organizations submitted an additional statement, outlining the economic rationale for abolishing non-compete clauses and their positive impact on workers' rights.

SUPPORT OF HUMAN RIGHTS AND ENVIRONMENTAL DUE DILIGENCE LEGISLATION IN THE UK

SDG

SDG 10: Reduced Inequalities
SDG 13: Climate Action

UNGC PRINCIPLES

Principle 1: support and respect human rights
Principle 2: no human rights abuse
Principle 3: freedom of association and collective bargaining
Principle 4: no forced labor
Principle 5: no child labor
Principle 7: precautionary approach to environmental challenges
Principle 8: promote environmental responsibility

SUMMARY

A group of institutional investors coordinated by the Investor Alliance for Human Rights calls upon UK policymakers to adopt robust mandatory human rights and environmental due diligence legislation aligned with the UN Guiding Principles on Business and Human Rights.

DESCRIPTION

The UK's current legal framework does not sufficiently address the protection of human rights and the environment in corporate value chains. This puts responsible businesses that are implementing the UN Guiding Principles on Business and Human Rights (UNGPs) and undertaking human rights and environmental due diligence (HREDD) at a competitive disadvantage. Robust mandatory HREDD legislation aligned with the UNGPs would increase legal certainty about the standards expected from companies, ensure consequences when responsibilities are not met. It would also incentivize effective action on the ground to manage human rights and environmental impacts.

For the first time, a Bill implementing the UNGPs in the UK is expected to be discussed in the House of Lords. With the most recent adoption of the Corporate Sustainability Due Diligence Directive at the EU level, the trend from soft law to hard law and towards more stringent regulation regarding due diligence is unquestioned. Thus, the UK has a great opportunity to further expand and align its national legislative framework with international developments.

That's why institutional investors make a strong case in favour of HREDD legislation as it allows them to make more informed and sustainable investment decisions for people and the planet and demonstrate to beneficiaries that their money is being managed in line with international standards and expectations. In addition, such a legislation enables better engagement with portfolio companies on rights-respecting business conduct and supports investors in meeting their own due diligence responsibilities.

Given the legislation establishes a level-playing field for businesses which in turn results in better informed investment decisions for investors, the members of the Ethos Engagement Pool International will sign this support letter to call upon UK decision-makers to adopt robust HREDD legislation.

RESULT OVERVIEW

As of 31.12.2024:

- In November, a meeting was held with two representatives of the initiating organization to discuss next steps.
- The investor statement was published. However, the current UK government has shown little support for the initiative, despite statements and efforts from certain companies and civil society organizations advocating for stronger legislation.

APPENDICES

6. MAPPINGS

Please note that one engagement action may address several themes. Ethos applies the following mapping to group themes into the usual environmental, social and governance pillars.

THEME
Environment
Environmental impact
Climate change
Biodiversity
Deforestation
Social
Labour rights
Health & safety
Human rights
Governance
Board composition and functioning
Remuneration
Shareholder rights
Other corporate governance topics
Diversity
Code of conduct
Business ethics
Tax responsibility
Digital responsibility
Sustainability strategy
ES reporting
Availability of ESG policies
Lobbying

Ethos applies the following mapping to group the types of actions into the usual written, verbal or other categories.

ACTION TYPE
Written communication
Email
Letter
Investor Statement
Press release
Shareholder resolution
Other
Verbal communication
Meeting
Conference call
Phone
AGM Statement
Other
Undefined
Public analysis/report
Ethos report sent

7. SUMMARY BY COMPANY

	ENVIRONMENT		SOCIAL		GOVERNANCE	
COMPANY	NUMBER OF CAMPAIGNS	NUMBER OF ACTIONS	NUMBER OF CAMPAIGNS	NUMBER OF ACTIONS	NUMBER OF CAMPAIGNS	NUMBER OF ACTIONS
Alstom	1	1	1	1	0	1
Aquafil	0	-	0	-	1	-
Arcadis	-	-	-	-	-	-
Befesa	0	0	0	1	1	1
bioMérieux	1	1	0	1	0	1
Borregaard	-	-	-	-	-	-
Brenntag	2	1	0	0	0	0
Corticeira Amorim	1	1	0	0	0	0
dormakaba	2	3	1	0	5	5
Elis	-	-	-	-	-	-
Euronext	-	-	-	-	-	-
Fugro	-	-	-	-	-	-
GEA Group	0	-	1	-	0	-
Geberit	2	1	2	2	6	6
Hera	2	1	0	0	0	0
Kingspan Group	2	1	1	1	0	1
KION Group	1	1	0	1	0	1
Mersen	-	-	-	-	-	-
MIPS	-	-	-	-	-	-
Munters Group	1	1	0	0	1	0
Nexans	0	-	1	-	0	-
Pearson	1	1	2	1	0	2
Prysmian	0	0	1	1	0	1
Raiffeisen Bank International	-	-	-	-	-	-
Recordati	1	1	0	0	0	0
Renault	2	3	1	2	1	6
Rexel	-	0	-	1	-	1
Soitec	-	0	-	0	-	1
Sonova	2	3	1	0	6	3
Sopra Steria	-	-	-	-	-	-
SPIE	-	-	-	-	-	-
Stora Enso	2	-	0	-	0	-
Straumann	2	1	1	0	6	3
Swiss Life	1	1	2	3	6	5
Tecan	1	0	2	1	6	3
Thule Group	-	-	-	-	-	-
Tomra Systems	1	1	0	0	0	0
Veolia Environnement	2	0	1	1	0	1
Verallia	-	-	-	-	-	-
Watches of Switzerland Group	0	-	1	-	0	-
Wienerberger	1	1	1	1	0	1
TOTAL 41						