



Ethos' Engagement Policy



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Ethos is a Swiss foundation composed of more than 200 Swiss pension funds and other tax-exempt institutions. Ethos aims at promoting socially responsible investment (SRI) as well as a stable and prosperous socio-economic environment that safeguards the interests of civil society today and in the future. Conducting a high-quality and long-term dialogue with portfolio companies is essential for reaching these two objectives as outlined in Ethos' [charter](#).

Ethos' Engagement Policy is the application of principles 6, 7 and 8 of [Ethos' eight SRI principles](#). The policy outlines how Ethos engages in long term constructive dialogue with listed companies to discuss material environmental, social and governance (ESG) issues in order to foster sustainable development.

1. Engagement process

Ethos considers that engaging in long term constructive dialogue with listed companies on ESG topics of material importance to a company's shareholders and other stakeholders is part of effective stewardship. Through continuous monitoring and engagement, Ethos aim to raise the board and management's awareness of investors' concerns, convey suggestions for improvement and check for progress made. While the engagement activity is particularly intense in the period surrounding shareholder general meetings, engagement takes place throughout the year.

1.1 Set expectations

Ethos urges companies to continuously improve their ESG practices in order to create long term value for shareholders and other stakeholders. In this regard, companies are expected to establish a coherent sustainability strategy aligned with their overall corporate strategy. The sustainability strategy should take into account all stakeholders and address all material ESG aspects associated with the company's operations.

1.2 Monitor companies

Ethos monitors the ESG performance of all portfolio companies. For companies in the Swiss Performance Index (SPI) the monitoring is carried out internally. For non-Swiss companies, Ethos uses external ESG data provided by global data providers and complements this with an in-house analysis of the main ESG challenges as described in the Ethos SRI principles. The analysis allows Ethos to identify companies with improvement potential in terms of their ESG performance and to conduct a dialogue with these companies, either directly or collaboratively with other investors.

1.3 Exercise shareholder voting rights

Ethos deems the exercise of shareholder voting rights to be an integral part of its engagement approach and commits to vote its shares in general meetings of portfolio companies. Ethos drafts proxy voting reports with voting recommendations for all companies included in the Swiss Performance Index (SPI) in line with the [Ethos proxy voting guidelines and corporate governance principles](#) that are reviewed annually and are publicly available on Ethos' website. For non-Swiss companies, Ethos' voting positions are defined based on the research of its local partners in Europe and North America.

Before issuing its voting recommendations, Ethos contacts Swiss companies directly to ask for additional

information or clarifications. Often these discussions lead to follow-up calls or meetings. Before issuing its voting recommendations, Ethos informs each Swiss company about its voting positions on each agenda item. Ethos' voting positions for each shareholder general meeting of SPI companies are available on Ethos' website two days before the meeting. On request, the full proxy voting report is made available to companies after the general meeting.

1.4 Engage with companies listed in Switzerland

The board of directors and executive management of listed companies are accountable for the company's long term strategy and management of ESG issues. Thus, in addition to the engagement related to the companies' shareholder meetings, Ethos also engages Swiss companies in its portfolios on behalf of the members of Ethos' corporate engagement program with Swiss companies (Ethos Engagement Pool – EEP) throughout the year on selected ESG topics.

The focus topics for this engagement program are determined each year by the members of the EEP. Ethos actively contacts the companies and the dialogue is carried out through in-person meetings, telephone conferences, letters and emails. Furthermore, Ethos commits to responding to each company that wishes to have a discussion with Ethos.

1.5 Engage with companies listed outside Switzerland

In order to engage with companies included in its international portfolios, Ethos collaborates with other like-minded institutional investors. Often they are based in the country or the region where the respective company is domiciled, thus allowing Ethos to benefit from local knowledge and experience. Ethos regularly participates in collaborative engagement initiatives. The objectives of the collaborative initiatives supported by Ethos must be in line with the Ethos charter and SRI principles and foster best practice in corporate governance and corporate social responsibility (CSR). Ethos' management is responsible for deciding which initiatives to support. In case international collaborative engagement initiatives target Swiss companies, Ethos aims to be the lead engager for these.

In January 2017, Ethos and six Swiss pension funds set up the Ethos Engagement Pool International (EEP International). The EEP International allows Swiss institutional investors to engage companies listed outside Switzerland. Engagement is conducted either directly with companies or via collaborative engagement through the participation in international initiatives and investor groups. Members of the Pool benefit from an international network that includes institutional investors as well as investor groups with whom Ethos has closely collaborated throughout the years.

2. Escalation

In most cases, the dialogue is confidential. However, when the dialogue does not produce the expected results, Ethos may take steps to intensify its approach in order to attain its objectives.

2.1 Intervene at shareholder general meetings

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

2.2 File shareholder resolutions

If other measures do not produce any results and an overwhelming interest in changing a certain corporate

practice exists, Ethos may file a resolution at the shareholder general meeting. The same resolution can be filed at several companies in order to improve market practice around certain ESG issues.

2.3 Unite with other shareholders

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

2.4 Take legal action

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

3. Disclosure and reporting

The Ethos proxy voting guidelines and corporate governance principles are reviewed annually and are available on the Ethos website. In addition, Ethos publishes its voting positions on Swiss companies' shareholder general meetings on its website two working days before the shareholder meeting takes place. Quarterly reports featuring Ethos' proxy voting positions for all portfolio companies are published on Ethos' website.

Each year, Ethos prepares a report for the members of the Ethos Engagement Pool – EEP and the Ethos Engagement Pool International - EEP International. These reports describe the activities, evaluate the progress made and suggest if and how the dialogues should continue. The topics on which Ethos engages are disclosed annually on its website. To transparently outline its expectations, Ethos also publishes position or engagement papers on specific ESG topics.

All Ethos responses to consultations by regulatory or other bodies are published on the Ethos website.



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