



RULES GOVERNING THE SWISS RESPONSIBLE BOND INDEX (SRBI)

The **Ethos Foundation** is composed of more than 230 tax-exempt Swiss pension funds and institutions. Founded in 1997, its aim is to promote socially responsible investment and to foster a stable and prosperous socio-economic environment.

Signatory of:



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

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1. Index structure

1.1 INTRODUCTION

The Swiss Responsible Bond Index (SRBI) measures the development of the Swiss Franc (CHF) bond market based on sustainable assessment provided by Ethos Services SA ("Ethos") and calculated by SIX Index AG ("SIX"). The index consists of the components of SBI AAA-BBB which have at least an Ethos ESG rating of B+ on a Scale from A+ to C. To be selected for the index, all instruments are subject to revenue limits as defined in Ethos' Principles for Socially Responsible Investment. In addition, instruments must not be flagged as exclusion by Ethos, by the Swiss Association for Responsible Investments (<https://www.svjk-asir.ch/>) and need to fulfil the United Nations Global Compact (UNGC) assessment.

1.2 SECURITIES UNIVERSE

1.2.1 SWISS RESPONSIBLE BOND INDEX (SRBI)

The Swiss Responsible Bond Index (SRBI) is based on the Swiss Bond Index AAA-BBB (SBI AAA-BBB). Therefore, the SRBI follows the SBI Rulebook for all matters not described in this document. The Index Rules apply additional exclusions as defined in this document. All instruments are weighted by their market value.

1.3 INDEX OBJECTIVES

Ethos' objective is to apply a responsible filter (determined here as an ESG assessment) on instruments listed on the main SIX Swiss Exchange. The SRBI is reviewed monthly to take into account changes in the ESG assessment done by Ethos that may have occurred in the companies of the base universe. The index objectives intend to:

- Exclude instruments from issuers whose products are incompatible with the values the foundation as listed in the Ethos charter - see details in section 3.2
- Exclude instruments from issuers whose conduct violates the fundamental principles of ethics and sustainable development - see details in section 3.3

- Include instruments from issuers who receive an above average ESG assessment (Ethos ESG ratings A+, A- or B+) - see details in section 3.4

1.4 STANDARDIZATION

The SRBI is standardized on close of 28 March 2024 with an initial value of 100.

1.5 REVIEW OF INDEX CONCEPT AND RULES

The validity of the index concepts and rules is reviewed on a regular basis. In exceptional cases a broad market consultation can be conducted by Ethos. The changes to the index rules are publicly announced with appropriate lead time (3 months in case of major changes).

1.6 TERMINATION OF THE INDEX CALCULATION

A decision to discontinue will be publicly announced by Ethos with appropriate lead time.

If Ethos is aware of existing financial products linked to the index, a market consultation is conducted in advance and a transition period is introduced before the definitive termination.

2. Calculation of Index Values

The SRBI is calculated using the Laspeyres index formula. The index level is calculated by dividing the market values of all index components by a divisor.

4 variants of the SRBI are currently calculated:

- Price return index
- Gross return index
- Yield index
- Duration index

While the 4 variants are shortly described below, further details related to the calculation of index values, formulas, definition of terms used and adjustments due to corporate actions can be found in Section 3 in the Methodology Rulebook Governing Bond Indices published and maintained by SIX.

2.1 PRICE RETURN INDEX

The nominal amount of the bond is multiplied by its clean price. The nominal amount is held constant within a trading day.

2.2 GROSS RETURN INDEX

The nominal amount of the bond is multiplied by its clean price corrected for the accrued interest for a given day.

2.3 YIELD INDEX

The yield is used to calculate the returns of an investment into a bond based on a given day's market price if it was held until Maturity or First Call. On an index level the weighted average yield over all bonds in the index is considered.

2.4 DURATION INDEX

The Macaulay duration is the weighted average of the time until all cash flows are received measured in years. The Duration Index weights the durations of all bonds in the index by their market capitalization.

3. Index composition

3.1 OVERVIEW

In order to meet the index objectives set under section 1.3, a component selection, performed by Ethos, is applied on top of the index composition of the base universe (the SBI). This selection is a combination of product-based exclusion, conduct-based exclusion, as well as the exclusion of low ESG ratings. Certain types of Asset-backed instruments are also excluded. Exceptions are described in section 3.6.

3.2 PRODUCT-BASED EXCLUSION

The product-based exclusions relate to sectors considered to be incompatible with the values of the Ethos Foundation.

As a rule, issuers that generate more than 5% of their turnover in one of the sectors listed below are excluded from the SRBI. However, issuers active in non-conventional weapons are excluded regardless of their level of involvement or turnover.

Excluded sectors are the following:

- Weapons
- Non-conventional weapons
- Tobacco
- Gambling
- Adult entertainment
- Genetically modified organisms (GMO) in the agrochemical industry
- Nuclear energy
- Thermal Coal
- Unconventional fossil fuels

3.3 CONDUCT-BASED EXCLUSION

Exclusions tied to the conduct of an issuer are implemented when companies are implicated in controversies in terms of corporate governance or environmental and social responsibility. These are significant violations of normative criteria by their magnitude (severity of the impact), by their scope (extent of the impact) or by their irremediable nature.

In addition, regular breaches of international conventions signed by Switzerland or the ten principles of the UN

Global Compact (UNGC) lead to the exclusion of a company. These are repeated violations of normative criteria, indicating a systematic failure of the management of the issuer, the tacit authorization of abuse, or even intentional abuse. Systematic violation is not the result of a one-time misbehaviour or isolated accident.

Finally, issuers must not be flagged as exclusion by the Swiss Association for Responsible Investments (<https://www.svvk-asir.ch/>)

3.4 ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE CRITERIA (ESG)

Only instruments from issuers with an Ethos ESG rating of A+, A- and B+ may be included in the SRBI.

The Ethos ESG rating allows to classify issuers according to their relative ESG performance compared to their sector peers. The Ethos ESG ratings are currently ranging from A+ (best rating), A-, B+, B-, to C (worst rating).

Ethos evaluates the sustainability performance of an issuer by analysing its exposure to ESG risks, as well as how it manages these. The issuer strategy is analysed based on the transparency of the information provided, the clarity and coherence of its mission statement as well as the ambition and skill set of management. The Ethos ESG assessment is structured in three stages which are corporate governance analysis, analysis of the corporate strategy and analysis of its reporting. It takes into account the specific ESG risks faced by the different stakeholders.

The ESG assessment contributes to the establishment of an Ethos ESG rating for each issuer analysed. To this effect, the extra- financial analysis is completed with a review of any environmental, social or corporate governance controversy the company may be involved in.

3.5 OTHER EXCLUSION

Instruments identified by SIX as Asset-backed securities are also excluded from the SRBI. Those type of instruments are identified with the Guarantee and Collateral Classification Level 2 Code 64xxx. Further details related to the Guarantee and Collateral Classification Code can be found in Appendix C in the Methodology Rulebook Governing Bond Indices published and maintained by SIX.

3.6 EXCEPTION

Instruments issued by the Swiss Pfandbrief institutes (identified with Segment Classification Swiss Pfandbrief) are not concerned by the rules mentioned under sections 3.2 to 3.5 and are therefore always included in the SRBI if included in the base universe (SBI).

4. Index Maintenance

4.1 ORDINARY INDEX REVIEW

The base universe of the SRBI is the SBI. Therefore, the SRBI follows the composition of the SBI less the exclusions determined on a monthly basis by Ethos.

The review of the SRBI composition is effective at the first trading day of every month. Additions to and exclusions from the index are generally announced to the market on the 21st day of every month prior to the implementation in the index.

5. Organisation

5.1 INDEX ADMINISTRATOR

The index is administered by Ethos. Ethos is responsible for the data sourcing and determination of the ESG ratings and exclusion criteria used in the index.

Any requests with respect to the index administration may be directed to the following address:

Ethos
1, Place de Pont-Rouge
Case Postale 1051
CH-1211 Genève 26

Email: gestion@ethosfund.ch

Phone: +41 (0)58 201 89 89

5.2 CALCULATION AGENT

SIX is the Calculation Agent of the Swiss Responsible Bond Index. SIX ensures the correct calculation on its systems according to market standards https://indexdata.six-group.com/customer/ethos_ch_responsible_bond.html

Any requests with respect to calculation of the index may be directed to the following address:

SIX
Pfingstweidstrasse 110
CH-8021 Zurich

Email: indexsupport@six-group.com

Phone: +41(0)58 399 21 11

6. Static data

| NAME | SYMBOL | ISIN |
|---|--------|--------------|
| Swiss Responsible Bond CHF Total Return | SRBIT | CH1337302322 |
| Swiss Responsible Bond CHF Price | SRBIP | CH1337302330 |
| Swiss Responsible Bond Yield | SRBIY | CH1337302348 |
| Swiss Responsible Bond Duration | SRBID | CH1337302355 |

7. Additional information

7.1 SIX WEBSITE

SIX webpage on the Swiss Responsible Bond Index:

<https://www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/indices/customized-indices.html>

SIX Index Data Center (login required to download current and historical composition data):

https://indexdata.six-group.com/customer/ethos_ch_responsible_bond.html

SIX index adjustments and announcements:

https://indexdata.six-group.com/customer/ethos_ch_responsible_bond.html

7.2 ETHOS WEBSITE

Ethos webpage on the Swiss Responsible Bond Index:

<https://www.ethosfund.ch/en/ethos-indices>

Ethos principles for socially responsible investment:

https://www.ethosfund.ch/sites/default/files/2023-11/2022_Principes_Ethos_pour_ISR_EN_A4_FINAL_fixe_d.pdf

Ethos general publications:

<https://www.ethosfund.ch/en/publications>

8. Revision history

| VERSION / DATE | DESCRIPTION |
|------------------|-----------------------------|
| 1.0 / 02.04.2024 | Index methodology at launch |

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