



SWISS RESPONSIBLE INDICES

SWISS EQUITIES AND CHF BONDS ESG
INDICES "POWERED BY ETHOS",
CALCULATED BY SIX

June 2024



- ethos

Contents

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4. Swiss Responsible Bond Index (SRBI)
 - 3a) Methodology
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●ethos

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THE ETHOS GROUP - PIONEER OF SRI* IN SWITZERLAND SINCE 1997

WWW.ETHOSFUND.CH



OUR RAISON D'ÊTRE

- Promotion of socially responsible investing (SRI)
- Fostering of a stable and prosperous socio-economic environment



OUR SERVICES

- Exercise of voting rights
- Shareholder dialogue
- ESG analyses
- Investment solutions (funds & indices)
- Reporting solutions
- Education



OUR MEMBERS

- Over 250 pension schemes
- Represents approx. 2 million insured persons
- Approx. one third of 2nd pillar assets in Switzerland

●ethos

WHAT SETS ETHOS APART

OPINION LEADER WITH OVER 25 YEARS' EXPERIENCE IN SUSTAINABILITY

INDEPENDENCE

- Non-profit organisation, founded by and for pension funds
- Financed exclusively by the clients of Ethos Services
- Fully independent of the analysed companies

PROFESSIONALISM

- Excellent knowledge of the companies, in particular through the exercise of voting rights and shareholder dialogue
- Approx. 40 employees in Geneva and Zurich, including more than 20 analysts
- Collaboration with internationally recognised institutional partners

TRANSPARENCY

- Own corporate governance documents (Charter, SRI Principles, annual report and accounts, etc.)
- Communication of voting recommendations five days before general meetings
- Engagement topics with the companies

SYNERGIES BETWEEN THE ACTIVITIES, ALL DEDICATED TO SRI
A GLOBAL APPROACH CONTRIBUTING TO A 360° VIEW ON COMPANIES

ETHOS INVESTMENT SOLUTIONS

approx. CHF 4.8 billion as of 31 December 2023

of which approx. CHF 1.2 billion replicating Ethos indices (funds and mandates)

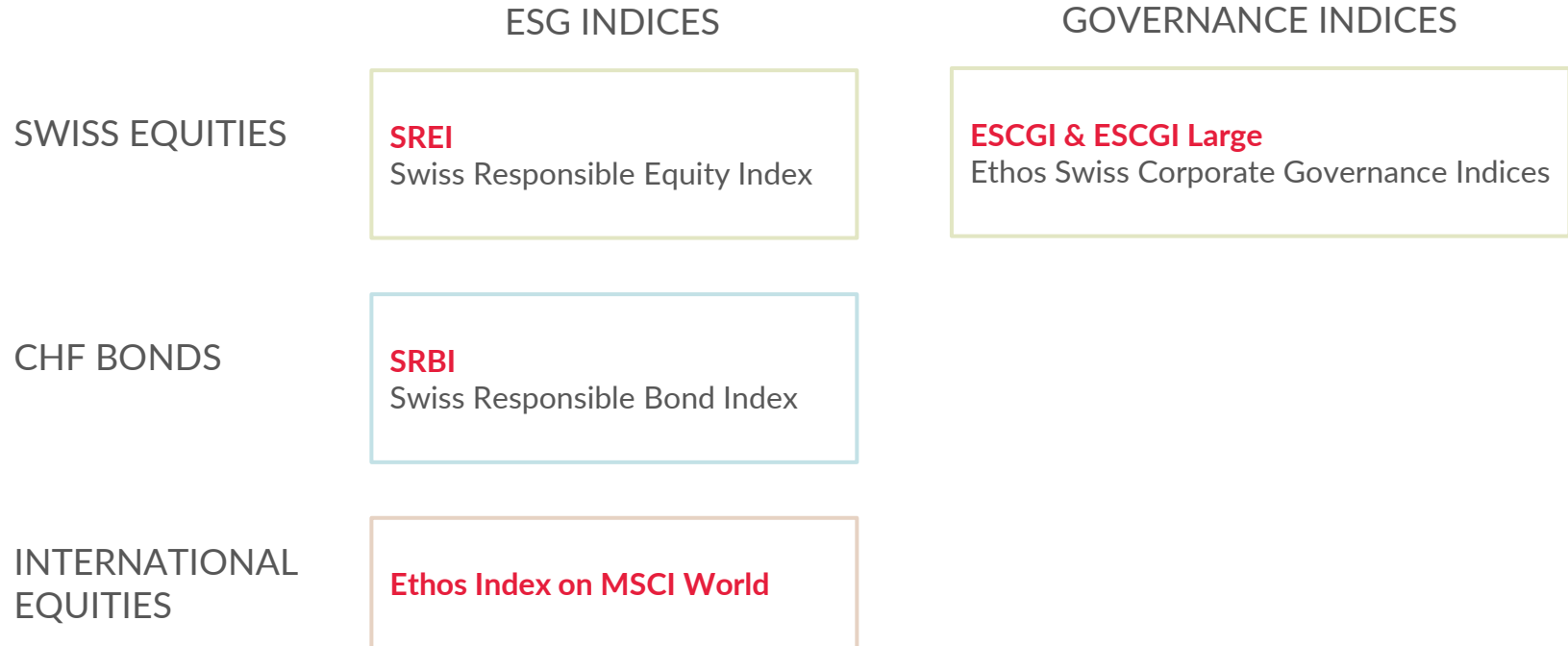
SUSTAINABILITY ANALYSIS	PROXY VOTING	SHAREHOLDER DIALOGUE
<p>Covered universe SPI SBI AAA-BBB MSCI World MSCI EM Top 250</p>	<p>Covered universe SPI MSCI Europe (ex CH) Top 200 MSCI NAM Top 200 MSCI Asia Pacific Top 100 and more</p> <p>> 230 clients (approx. CHF 55 billion)</p>	<p>EEP Switzerland 186 members</p> <p>EEP International 116 members</p> <p>Engagement Services Various banks and asset manager</p>
<p>Analysis of over 2,000 companies and issuers</p>	<p>Analysis of over 800 companies</p>	<p>Universe of 2,000 companies</p>

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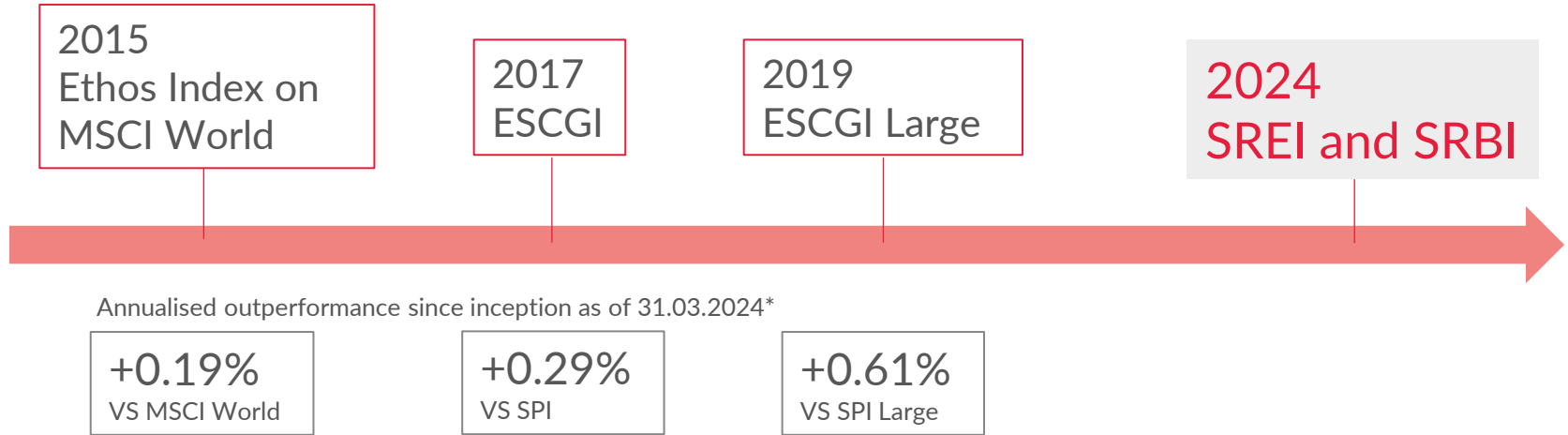
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A FAMILY OF SUSTAINABLE INDICES FROM SIX AND MSCI CALCULATED



EXPERTISE IN INDEX CREATION SINCE 2015



*Historical performance is not an indication of future performance.

SWISS RESPONSIBLE INDICES

NEW INDICES ESG «POWERED BY ETHOS», CALCULATED BY SIX

- In 2024, Ethos is launching two new sustainability indices, a Swiss equity index and a CHF bond index, both calculated by the SIX.
- Ethos aims to promote investment in and financing of issuers whose extra-financial performance is more sustainable than that of their peers.
- These sustainable indices are based on the SPI and SBI AAA-BBB indices and exclude companies/issuers whose ESG practices are deemed insufficient by Ethos.
- These indices allow investors to reduce the ESG risks of their investments while maintaining a diversified exposure to the Swiss equity and CHF bond markets (low tracking error compared to the base indices).
- More information
 - › [Swiss Responsible Equity Index \(SREI\)](#)
 - › [Swiss Responsible Bond Index \(SRBI\)](#)

NEW ESG INDICES "POWERED BY ETHOS", CALCULATED BY SIX

	SREI	SRBI
BASIS UNIVERSE	SPI	SBI AAA-BBB
MIN. ESG RATING	B+	B+
EXCLUSIONS	According to the Ethos Charter*	According to the Ethos Charter* & asset-backed securities
WEIGHTING	Market capitalisation**	Market value
REBALANCING	Annual (September)	Monthly
LAUNCH DATE	29.12.2023	28.03.2024
PERFORMANCE START DATE***	24.09.2018	01.01.2019
NUMBER OF ISSUERS IN THE INDEX (BASIS UNIVERSE)	143 companies (SPI: 208)	266 issuers (SBI AAA-BBB: 333)
WEIGHT OF EXCLUDED ISSUERS	1.6%	7.8%

* This includes companies that do not fulfil the criteria of the Swiss Association for Responsible Investment (SVVK-ASIR) and/or the principles of the UN Global Compact (UNGC).

** Free float adjusted. Maximum weight per security (cap): 20%.

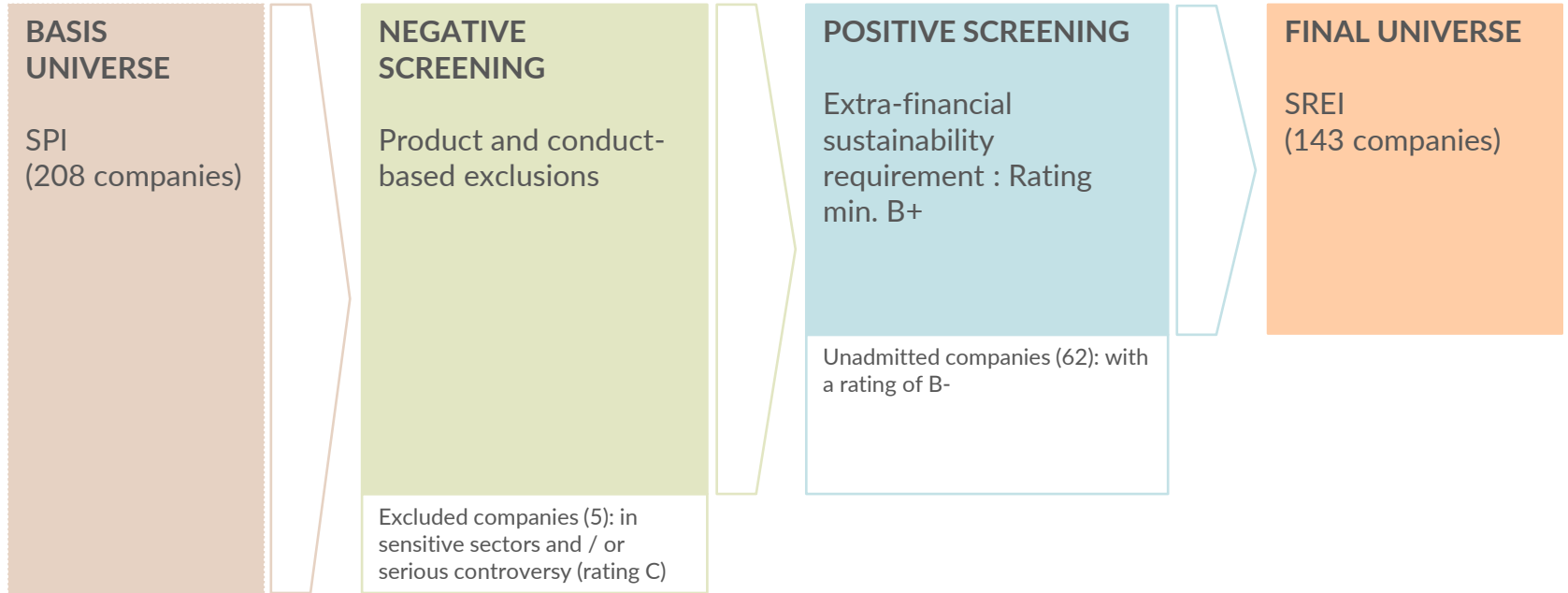
*** The performance until launch date is a backtested performance calculated by SIX.

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CONSTRUCTION PROCESS OF THE SREI AS OF 31.03.2024



PRODUCT-SPECIFIC EXCLUSIONS

CRITERION: REVENUES FROM THE FOLLOWING SECTORS > 5%

	Conventional weapons
	Non-conventional weapons (systematically excluded)
	Gambling
	Genetically modified organisms (GMOs) in agrochemical industry
	Nuclear energy
	Adult entertainment

	Tobacco
	Thermal coal
	Oil sands
	Fossil fuels extracted by hydraulic fracturing
	Arctic oil and gas
	Transport in oil and gas pipelines and storage of unconventional fossil fuels

CONDUCT-BASED EXCLUSIONS

CRITERION: AT LEAST ONE MAJOR CONTROVERSY

CATEGORIES OF CONTROVERSIES

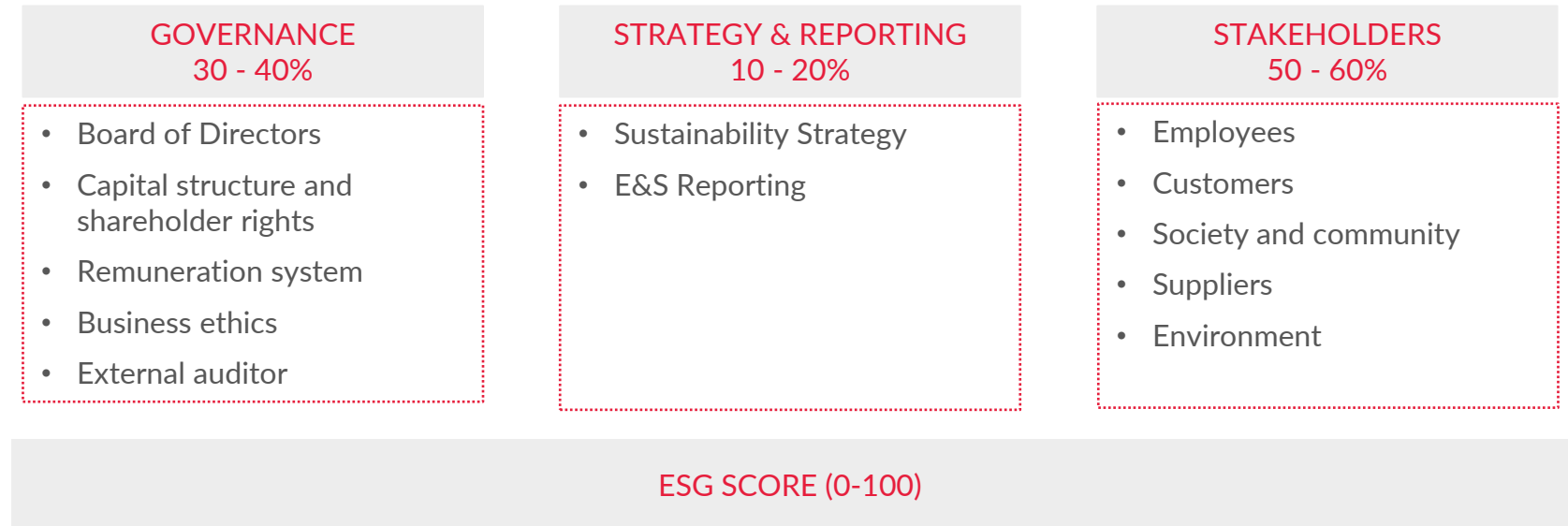
- **ENVIRONMENT:** serious environmental damage such as pollution, deforestation, etc.
- **SOCIAL:** human rights violations, child labor, etc.
- **GOVERNANCE:** functioning of the board of directors, remuneration, etc.
- **BUSINESS ETHICS:** Cartel and market manipulation, corruption, etc.
- **PRODUCTS:** product safety, controversial financing and investments, etc.

CLASSIFICATION OF CONTROVERSIES

- **INDIVIDUAL:** the company faces accusations for acts it alone has committed.
- **TRANSVERSAL:** the same problem affects several companies at the same time, to similar degrees or with significant variations between the companies concerned.

ETHOS ASSESSMENT METHODOLOGY (I)

QUANTITATIVE ESG-SCORE



For each of the 3 pillars, there are indicators common to all sectors, as well as indicators specific to one (or more) sector(s). The weighting of the indicators varies according to the company's sector and country.

ETHOS ASSESSMENT METHODOLOGY (II)

FROM ESG SCORE TO ESG RATING

		ESG SCORE (z-score compared with companies in the same sector)			
		Below -1 standard deviation	Below mean	Above mean	Above +1 standard deviation
		MAXIMUM LEVEL OF CONTROVERSY	none / minor	B-	B+
moderate	B-		B+	A-	A-
serious	B-		B-	B+	B+
severe	B-		B-	B-	B-
major	C		C	C	C

Investment universe

* The company is involved in one or more cases with damage considered particularly significant. Note that the frequent occurrence of serious controversies may constitute a severe controversy.

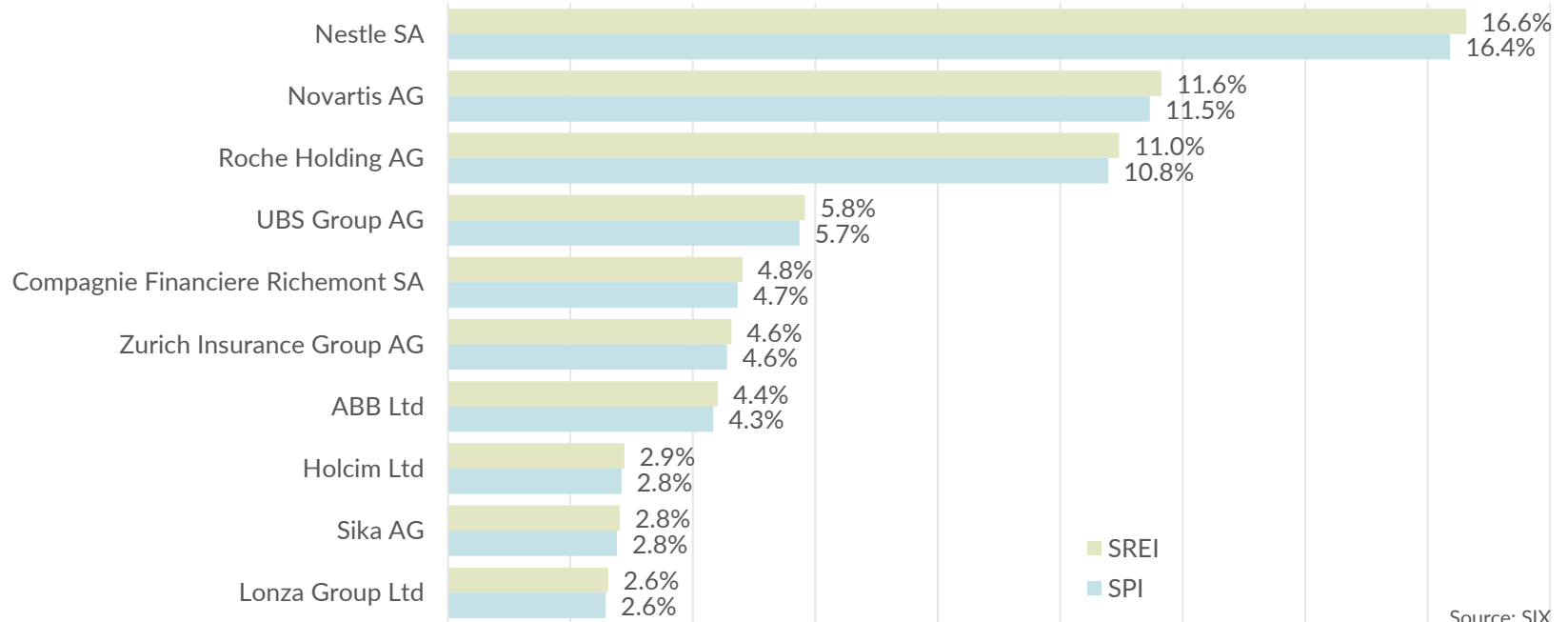
** The company is involved in one or more cases with uncontrolled damage of extremely serious scope. These generally reflect common practice within the company and may be in violation of international law.

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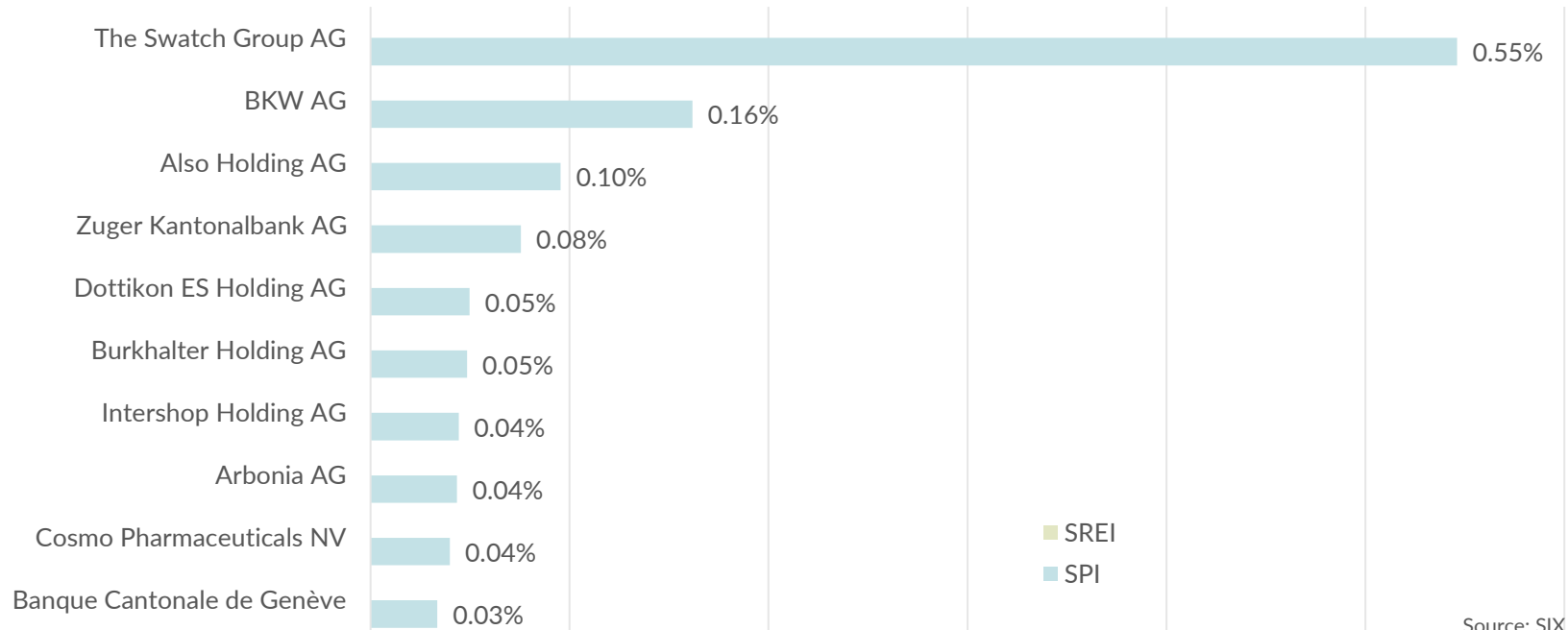


10 LARGEST SREI COMPANIES AS OF 31.03.2024



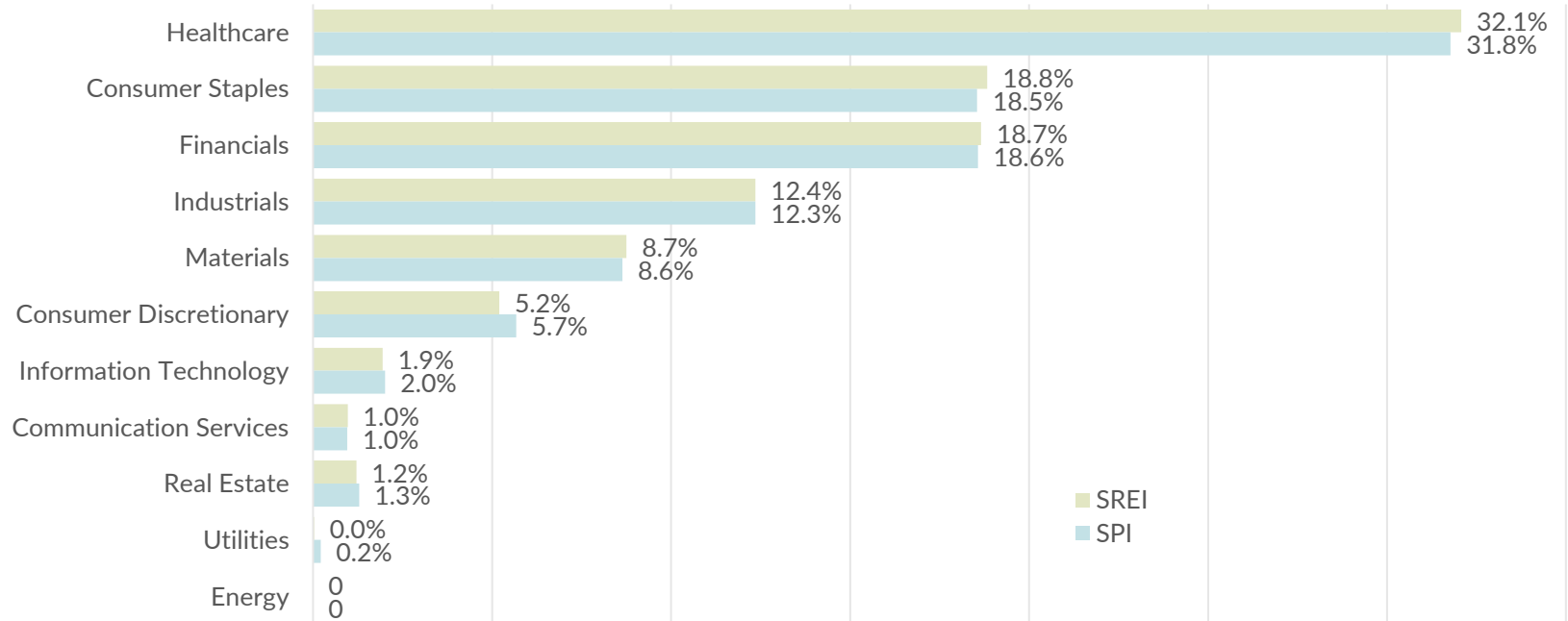
Source: SIX

10 LARGEST SPI COMPANIES NOT INCLUDED IN THE SREI AS OF 31.03.2024



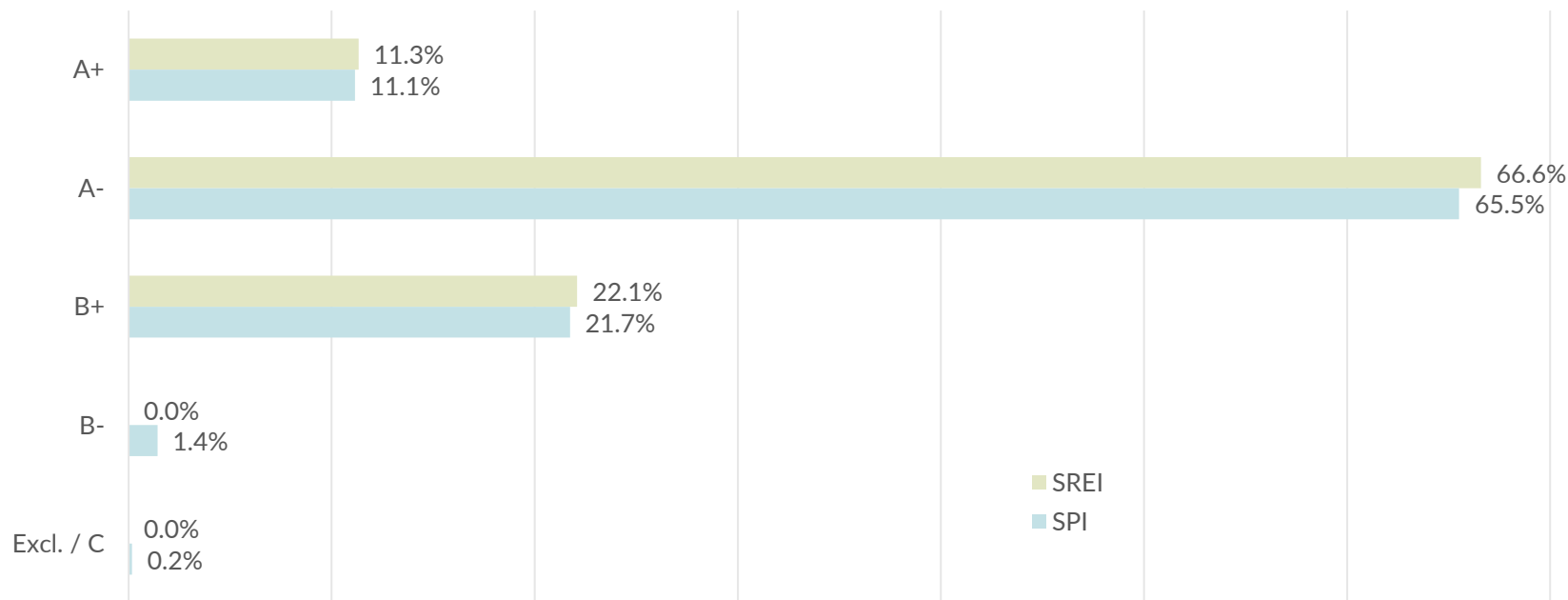
Source: SIX

BREAKDOWN BY GICS SECTOR AS OF 31.03.2024



Source: Morningstar Direct, SIX

BREAKDOWN BY ETHOS ESG RATING AS OF 31.03.2024



Source: Ethos, SIX

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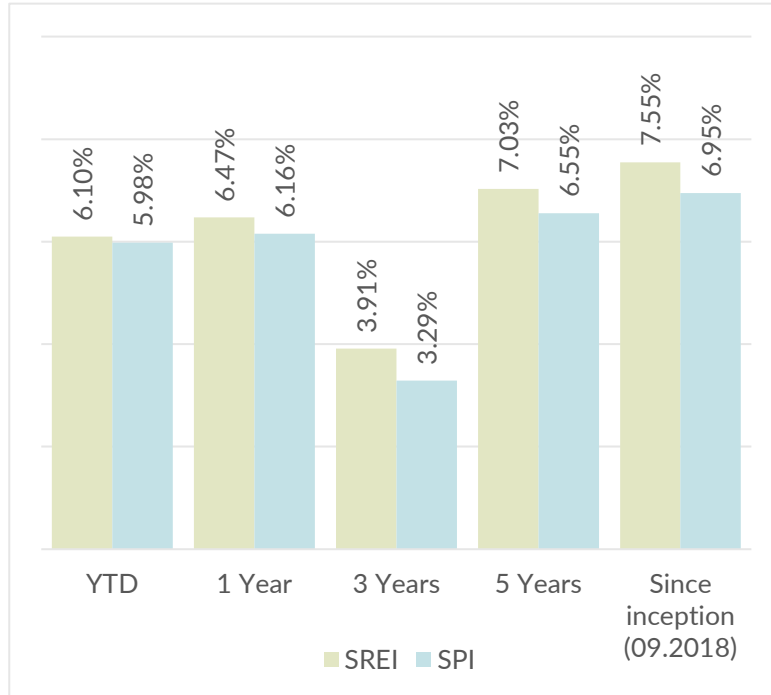
PERFORMANCE SREI* VS SPI FROM 24.09.2018 TO 31.03.2024



Source: SIX

* The performance of the index between 24 September 2018 and 29 December 2023 is a backtest calculated by SIX. Historical performance is not indicative of future performance.

PERFORMANCE SREI* AS OF 31.03.2024 OVER DIFFERENT PERIODS



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PERFORMANCE ATTRIBUTION SREI* VS SPI FROM 24.09.2018 TO 31.03.2024

- Stock selection accounts for almost 80% of SREI's outperformance since 24 September 2018.
- The largest contributors to outperformance were stocks excluded from the index, in particular Credit Suisse and Swatch Group.

Best Selections					Worst Selections						
	GICS Sector	Weight +/-	Return +/-	Effect		GICS Sector	Weight +/-	Return +/-	Effect		
1	Credit Suisse Group AG	Financials	-1.23	-138.64	3.49	1	Panalpina Welttransport (Holding) AG	Industrials	-0.02	13.64	-0.10
2	The Swatch Group AG Bearer Shares	Consumer Discretionary	-0.44	-86.78	0.55	2	Also Holding AG	Information Technology	-0.08	110.73	-0.07
3	Zurich Insurance Group AG	Financials	0.45	56.11	0.35	3	Temenos AG	Information Technology	0.04	-49.94	-0.05
4	Compagnie Financiere Richemont SA Class	Consumer Discretionary	0.68	50.12	0.32	4	SIG Group AG Ordinary Shares	Materials	-0.03	8.96	-0.03
5	Vifor Pharma AG	Health Care	-0.27	-33.79	0.30	5	Accelleron Industries AG Ordinary Shares	Industrials	-0.02	30.92	-0.03
6	The Swatch Group AG	Consumer Discretionary	-0.16	-86.45	0.21	6	Swissquote Group Holding SA	Financials	-0.04	212.90	-0.02
7	Sika AG Registered Shares	Materials	-0.03	-76.39	0.14	7	EFG International AG	Financials	-0.04	63.24	-0.02
8	DocMorris AG	Consumer Staples	-0.07	-64.77	0.12	8	GAM Holding AG	Financials	0.00	-139.85	-0.02
9	ABB Ltd	Industrials	0.20	69.86	0.09	9	Romande Energie Holding SA	Utilities	0.02	-72.13	-0.02
10	Swiss Life Holding AG	Financials	0.12	73.03	0.08	10	SoftwareONE Holding AG Ordinary Shares	Information Technology	-0.01	6.01	-0.01

Source: Morningstar Direct, SIX

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KEY RISK-RETURN FIGURES SREI* VS SPI AS OF 31.03.2024

10.2018 - 03.2024 (based on monthly returns)	SREI	SPI
RETURN P.A.	7.55%	6.95%
EXCESS RETURN P.A.	0.60%	
VOLATILITY (STANDARD DEVIATION)	12.96%	12.90%
SHARPE RATIO	0.63	0.59
TRACKING ERROR	0.40%	
INFORMATION RATIO	1.39	
BETA	1.00	1.00
MAXIMUM DRAWDOWN	-19.48%	-19.93%

Source: Morningstar Direct, SIX

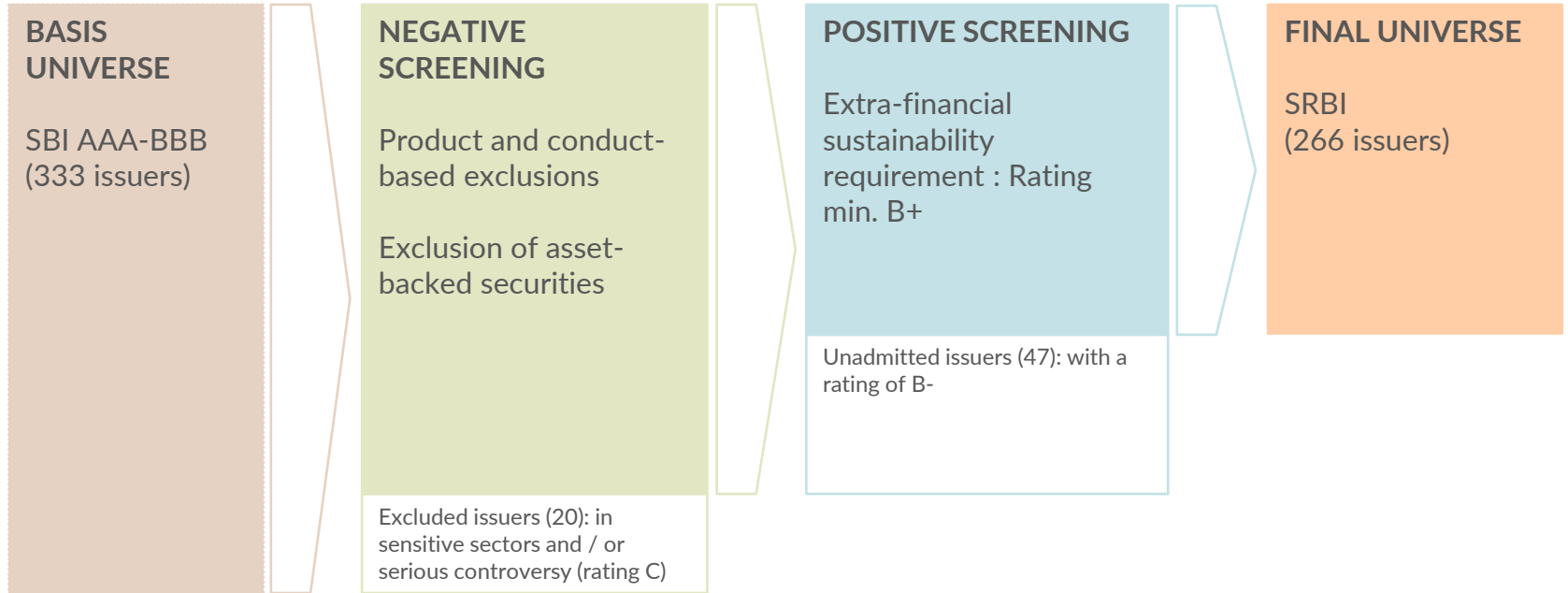
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CONSTRUCTION PROCESS OF THE SRBI AS OF 31.03.2024



- ethos

ETHOS ASSESSMENT METHODOLOGY

DIFFERENT APPROACH DEPENDING ON THE TYPE OF ISSUER




LISTED
ISSUERS







UNLISTED
ISSUERS

SOVEREIGN
ISSUERS

PRODUCT-SPECIFIC EXCLUSIONS

CRITERION : REVENUES FROM THE FOLLOWING SECTORS > 5%

	Conventional weapons
	Non-conventional weapons (systematically excluded)
	Gambling
	Genetically modified organisms (GMOs) in agrochemical industry
	Nuclear energy
	Adult entertainment

	Tobacco
	Thermal coal
	Oil sands
	Fossil fuels extracted by hydraulic fracturing
	Arctic oil and gas
	Transport in oil and gas pipelines and storage of unconventional fossil fuels

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ETHOS ASSESSMENT METHODOLOGY (I)

QUANTITATIVE ESG-SCORE



For each of the 3 pillars, there are indicators common to all sectors, as well as indicators specific to one (or more) sector(s). The weighting of the indicators varies according to the company's sector and country.

ETHOS ASSESSMENT METHODOLOGY (II)

FROM ESG SCORE TO ESG RATING

		ESG SCORE (z-score compared with companies in the same sector)			
		Below -1 standard deviation	Below mean	Above mean	Above +1 standard deviation
		MAXIMUM LEVEL OF CONTROVERSY	none / minor	B-	B+
moderate	B-		B+	A-	A-
serious	B-		B-	B+	B+
severe	B-		B-	B-	B-
major	C		C	C	C

Investment universe

* The company is involved in one or more cases with damage considered particularly significant. Note that the frequent occurrence of serious controversies may constitute a severe controversy.

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ETHOS ASSESSMENT METHODOLOGY

UNLISTED ISSUERS

SECTOR ASSESSMENT		COMPANY-LEVEL ASSESSMENT					FINAL ESG RATING
CONTRIBUTION TO THE ASSESSMENT OF SUSTAINABLE DEVELOPMENT	ESG RATING	IMPACT OF PRODUCTS & SERVICES	ENVIRONMENTAL AND SOCIAL STRATEGY	STAKEHOLDERS	GOVERNANCE	ESG CONTROVERSIES	
Exceptional / Long term	A+	The qualitative assessment of a company's extra-financial performance can have an impact on the sector rating of products and services. <ul style="list-style-type: none"> • Positive: if the company significantly outperforms its peers • Negative: if the company significantly lags its peers, is exposed to ESG controversies and/or has poor governance practices. 					A+
Positive/ transitional	A-						A-
Neutral / not significant	B+						B+
Negative	B-	Exposure to major ESG controversies					C
		>5% of revenues in sensitive sectors					EXCL.

Investment universe

ETHOS ASSESSMENT METHODOLOGY (I)

SOVEREIGN ISSUERS



These indicators are drawn from a variety of independent data sources, guaranteeing a solid approach with broad coverage while limiting data availability times (World Bank, UNDP, SDG Transformation Center, World Inequality Lab, Notre-Dame Global Adaptation Initiative, etc.).

ETHOS ASSESSMENT METHODOLOGY (II)

SOVEREIGN ISSUERS

	ESG SCORE (z-score compared with other sovereign issuers)			
	Below -1 standard deviation	Below mean	Above mean	Above +1 standard deviation
ESG rating based on ESG score	B-	B+	A-	A+
Downgrade if among the 10% worst performers on the E, S or G pillar	B-	B-	B+	A-
Exclusion*	C	C	C	C

Investment universe

NOTE: Local issuers (such as cantons, provinces and states) are classified one level lower than the country in question.

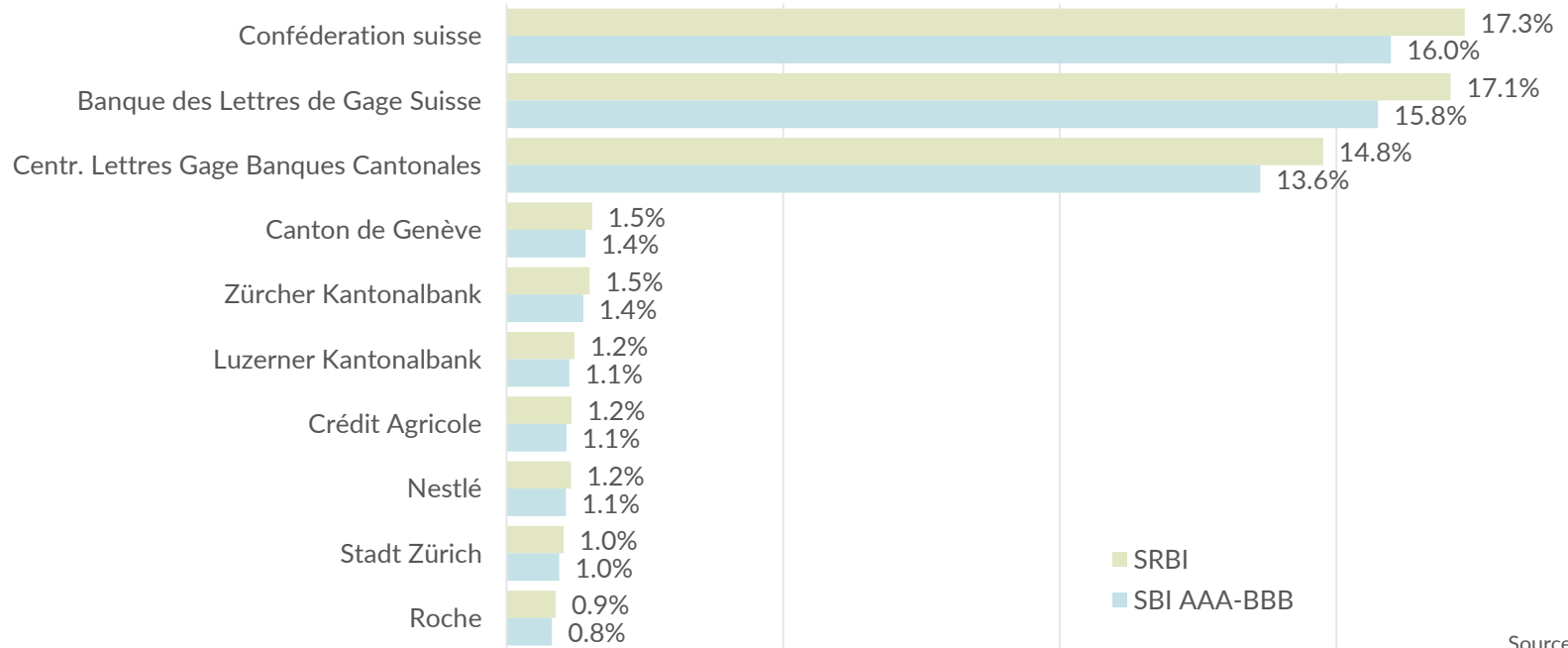
* Countries subject to international sanctions, major social violations or which have not ratified the main international treaties on weapons of mass destruction.

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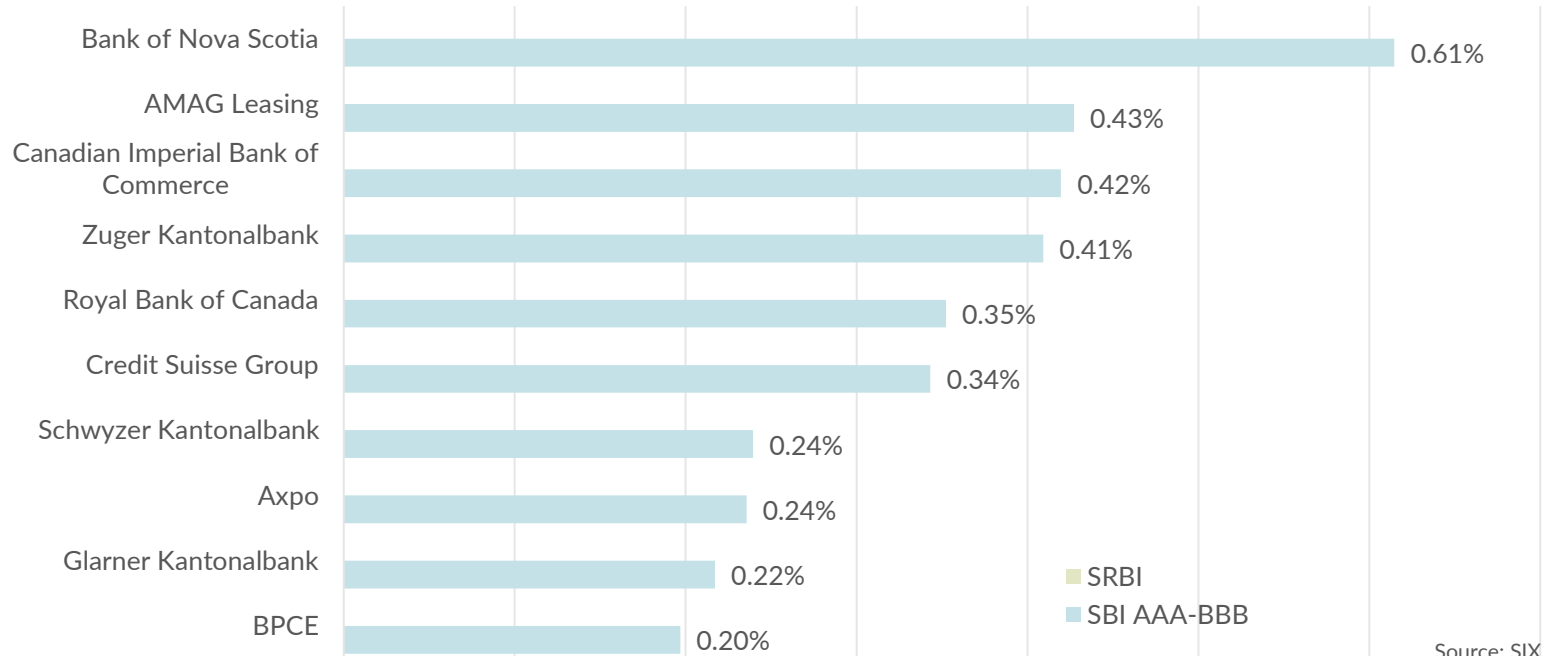


10 LARGEST SRBI ISSUERS AS OF 31.03.2024



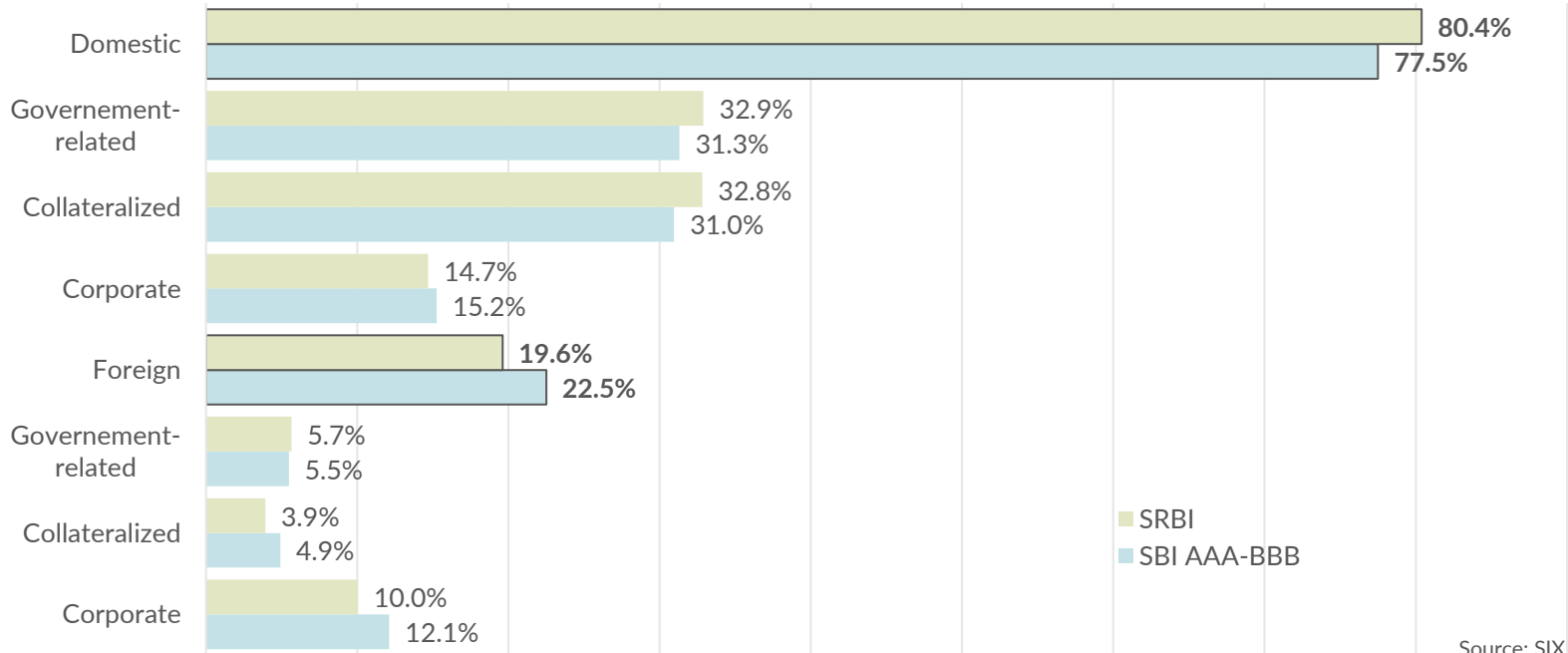
Source: SIX

10 LARGEST SBI AAA-BBB ISSUERS NOT INCLUDED IN THE SRBI AS OF 31.03.2024



Source: SIX

BREAKDOWN BY DOMICILE AND CATEGORY AS OF 31.03.2024

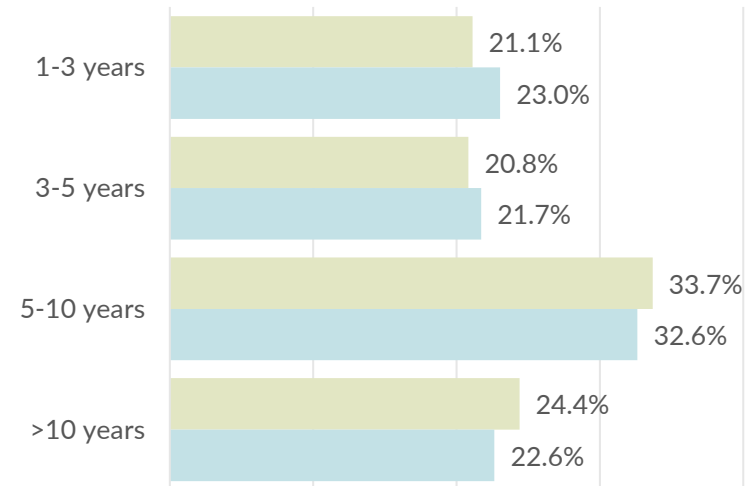
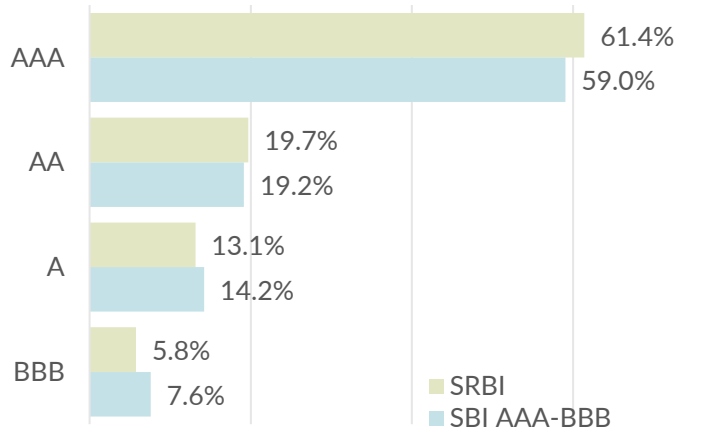


Source: SIX

BREAKDOWN BY COMPOSITE SIX RATING AND MATURITY AS OF 31.03.2024

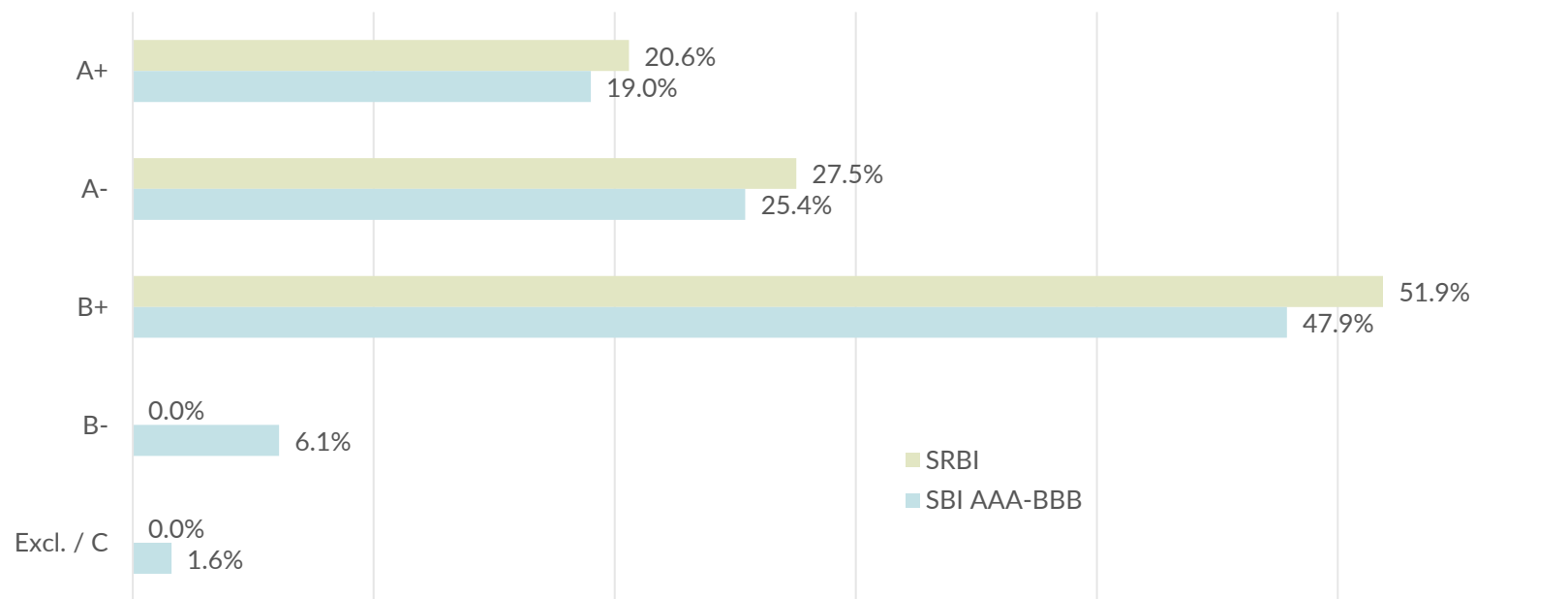
	SRBI	SBI AAA-BBB
Yield to maturity	1.20%	1.21%

	SRBI	SBI AAA-BBB
Macaulay duration	7.37	7.05



Source: SIX

BREAKDOWN BY ETHOS ESG RATING AS OF 31.03.2024



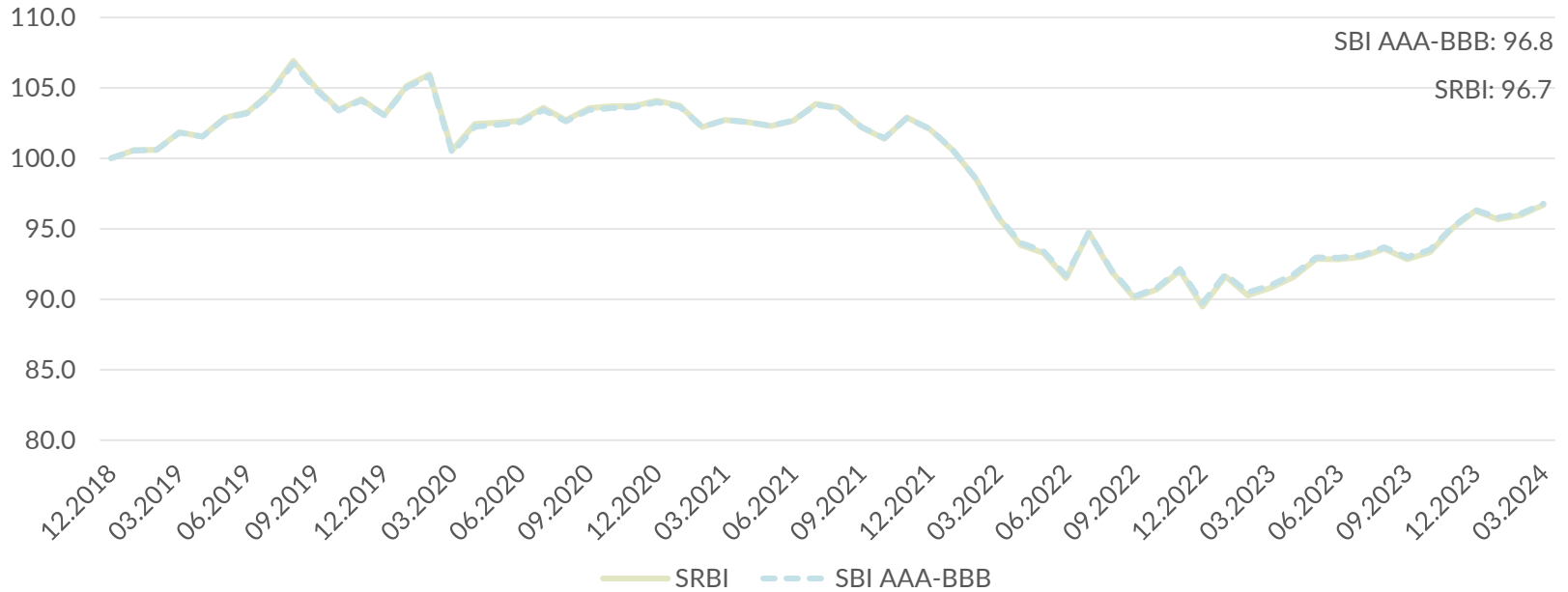
Source: Ethos, SIX

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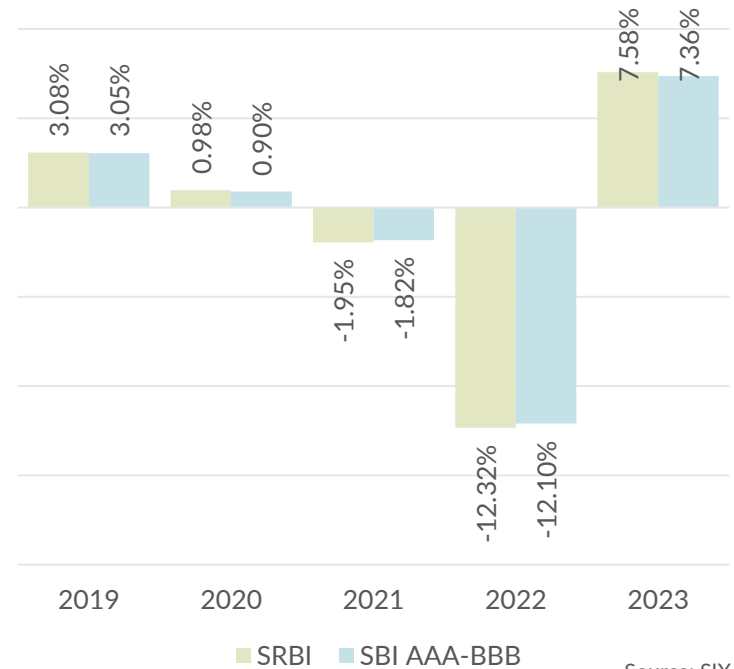
PERFORMANCE SRBI* VS SBI AAA-BBB FROM 01.01.2019 TO 31.03.2024



Source: SIX

* The performance of the index between 1st January 2019 and 31st March 2024 is a backtest calculated by SIX. Historical performance is not indicative of future performance.

PERFORMANCE SRBI* VS SBI AAA-BBB OVER DIFFERENT PERIODS



Source: SIX

* The performance of the index between 1st January 2019 and 31st March 2024 is a backtest calculated by SIX. Historical performance is not indicative of future performance.

KEY RISK-RETURN FIGURES SRBI* VS SBI AAA-BBB AS OF 31.03.2024

01.2019 - 03.2024 (based on monthly returns)	SRBI	SBI AAA-BBB
RETURN P.A.	-0.64%	-0.62%
EXCESS RETURN P.A.	-0.02%	
VOLATILITY (STANDARD DEVIATION)	5.19%	5.05%
SHARPE RATIO	-0.05	-0.05
TRACKING ERROR	0.20%	
INFORMATION RATIO	-0.08	
BETA	1.03	1.00
MAXIMUM DRAWDOWN	-16.29%	-15.91%

Source: Morningstar Direct, SIX

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Ethos

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Signatory of:



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