ESG RATING METHODOLOGY

2024

ethos

The Ethos Foundation is composed of more than 250 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:

PRI Principles for Responsible Investment

Ethos Services provides advisory services in the field of socially responsible investments. Ethos Services offers socially responsible investment funds, analyses of shareholders' general meetings with voting recommendations, a 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.

Certified B Corporation

Printed on recycled paper, 100% waste paper, certified « Blauer Engel »

www.ethosfund.ch

Table of contents

1. INTRODUCTION 5

2. ESG SCORE AND INTERIM RATING 6
2.1 TOPICS COVERED 6
2.2 ESG INDICATORS 8
2.3 CALCULATING THE ESG SCORE 8
2.4 FROM ESG SCORE TO INTERIM RATING 9
2.5 UPDATING INTERIM SCORES AND RATINGS 9

3. ESG CONTROVERSIES 10
3.1 ESG CONTROVERSY RESEARCH 10
3.2 UPDATE AND VALIDATION OF ESG CONTROVERSIES 11

4. ESG RATING 12
4.1 ESG RATING CONSTRUCTION 12
4.2 UPDATING ESG RATINGS 13
4.3 VALIDATING ESG RATINGS 13
4.4 INTERPRETING ESG RATINGS 13

5. REVISION OF THE METHODOLOGY 14
5.1 REVIEW AND VALIDATION PROCESS 14

APPENDICES 15

6. APPENDICES 16
6.1 NON-EXHAUSTIVE EXCERPT FROM THE INDICATORS USED BY ETHOS 16
6.2 ETHOS SECTORS 18
6.3 ESG CONTROVERSY CATEGORIES 19
6.4 ETHOS CONTROVERSY LEVELS 20

1. Introduction

This document provides details of the environmental, social and governance (ESG) rating methodology used by Ethos to assess listed companies.

Ethos assesses a company's sustainability performance by analysing its exposure to and management of ESG issues. The ESG score is structured around three pillars: an analysis of the company's governance, an analysis of its sustainability strategy and reporting, and finally, an analysis of the specific ESG issues related to each of its stakeholders and how it manages them.

This score is then standardised and converted into an interim rating using a 'best-in-class' approach that ranks companies within their respective sectors of activity. The interim rating is completed by taking into account any ESG controversies that a company may be facing. The ESG rating is therefore used to classify companies according to their relative ESG performance compared with companies in the same sector as well as their management of the controversies to which they are exposed.

ethos

2. ESG score and interim rating

2.1 TOPICS COVERED

The extra-financial analysis conducted by Ethos to establish scores and ratings for listed companies evaluates traditional ESG topics, which are grouped into three pillars:

TABLE 1: RATING STRUCTURE

CORPORATE GOVERNANCE	SUSTAINABILITY STRATEGY AND REPORTING	STAKEHOLDERS
• Board of Directors • Capital structure and shareholder rights • Remuneration • Business ethics	• Sustainability strategy • Environmental and social reporting	• Employees • Clients • Civil society and communities • Suppliers • Environment

2.1.1 CORPORATE GOVERNANCE

Corporate governance is the set of rules defining the roles and relationships between shareholders, the board of directors, executive management, statutory auditors and other stakeholders in a company. In a publicly listed company, it is essential that corporate governance adheres to certain fundamental principles, such as the separation of operational and supervisory functions, sufficient independence of the board of directors, equal treatment of all shareholders, as well as a remuneration policy that is fair and does not lead to excessive risk-taking by executive management. Ethos publishes its corporate governance principles annually, along with its proxy voting guidelines, which summarise its expectations in terms of good corporate governance. These elements form an integral part of the Ethos SG assessment and are grouped around the following four topics:

BOARD OF DIRECTORS

The separation of functions (Chair and CEO) and the independence of the board of directors are central elements of the Ethos evaluation. This analysis is complemented by an analysis of the composition and functioning of the board of directors, in particular with regard to the skills and diversity of its members (gender, age, training, experience).

CAPITAL STRUCTURE AND SHAREHOLDER RIGHTS

Equal treatment of all shareholders (one share - one vote) is a key principle of corporate analysis. Companies are required to establish procedures that enable shareholders to exercise their voting rights.

REMUNERATION

Remuneration systems are a central element of good governance, not least because they can strongly influence the behaviour and decisions of executive management.

For Ethos, the implementation of an appropriate remuneration system that is sufficiently transparent and avoids excessive remuneration is essential. This ensures that management's long-term interests are aligned with those of all stakeholders, including shareholders.

BUSINESS ETHICS

Robust business ethics guarantee a healthy corporate culture that is conducive to business growth. Ethos considers the existence of a public code of conduct to be the first essential step in establishing a corporate culture of this kind. Ethos analyses the code of conduct's coverage of the ESG issues facing the company in detail, as well as the manner in which the code of conduct is implemented. The company's tax policy is also analysed. As part of the analysis of business ethics, Ethos also examines the way in which companies manage the issues linked to digitisation, whether data protection, the use of artificial intelligence or the environmental and social impact of their digital systems.

2.1.2 COMPANY STRATEGY AND REPORTING

Ethos' ESG analysis evaluates the corporate strategy in terms of environmental and social responsibility. The existence of a sustainable development committee at the board or executive management level is a central element for ensuring that environmental and social issues are integrated at the highest echelons of the organisation.

The manner in which companies provide environmental and social information is also important. Ethos therefore favours companies publishing a sustainable development report based on an internationally recognised standard such as the Global Reporting Initiative (GRI). Reporting should include a list of key performance indicators ("KPIs") along with ambitious medium- and long-term targets. External verification of the sustainability report is also expected.

2.1.3 STAKEHOLDERS

Ethos analyses how a company manages its relationships with all the stakeholders listed below. Ethos' assessment takes into account the different challenges that companies face, depending on their sector and size. The weighting assigned to the various stakeholders in the Ethos ESG assessment depends on the sector.

EMPLOYEES

Employees are at the heart of the company and are crucial to ensuring efficient operations and long-term success. Putting in place a diversity and non-discrimination policy, as well as staff turnover indicators, is essential foundations of good corporate responsibility. Depending on the sector, freedom of association and the application of the highest standards of occupational health and safety are also expected of a company.

CUSTOMERS

The quality of products supplied to clients is fundamental for the company’s long-term success. Ethos also analyses the way in which the company certifies the quality of its products and production processes. Customer data protection measures have also become a priority for Ethos.

SUPPLIERS

The notion of environmental and social responsibility relates to the entire value chain. It is therefore part of a company's responsibility to consider the issues associated with its supplier relations. This aspect of the value chain is particularly exposed to significant environmental and social risks which can result in substantial costs for a company and its investors if not properly managed. Ethos believes that companies should adopt a sustainable supply chain policy, which includes regular supplier audits to ascertain whether practices align with defined requirements.

CIVIL SOCIETY

Companies have an impact on civil society in countries where they operate, particularly in developing countries, where they must demonstrate greater responsibility to mitigate potential regulatory or legislative deficits. Respect for human rights and for local communities is one of the key elements when analysing the conduct of the company regarding civil society.

ENVIRONMENT

Nature is often considered to be the voiceless stakeholder of a company. All companies have a negative impact on the environment through the use of resources, production of waste and greenhouse gas emissions, as well as indirectly throughout the life cycle of products, from design to disposal. Certain economic sectors have a greater environmental impact than others, such as the raw materials sector, cement production and fossil fuel industries.

Whatever their sector or location, companies should implement an environmental management system (EMS) enabling them to measure their impacts and their environmental footprint. In parallel, they should set quantifiable absolute and relative targets to drive the improvement of their environmental performance.

Ethos expects companies to do everything in their power to preserve the natural environment, notably by committing to respect authoritative international conventions and implementing measures to limit their negative impacts. This enables them to better control risks and take advantage of opportunities stemming from new technologies and innovative products.

2.2 ESG INDICATORS

The list of indicators used by Ethos for its ESG ratings (see Appendix 6.1) is based, among other things, on regulatory transparency requirements and on existing voluntary standards for non-financial reporting. Ethos' assessment is mainly based on publicly available documents and sources such as companies' annual and sustainability reports as well as databases including the CDP or the Science Based Targets initiative (SBTi).

2.2.1 APPLICATION OF INDICATORS

Ethos' methodology encompasses two classes of indicators: general and specific indicators. Their allocation depends on the double materiality analysis carried out at business sector level, which defines which ESG issues are likely to have a financial impact on the company, as well as what the impacts of poor ESG management on the company's stakeholders.

The "Strategy and Sustainability Reporting" pillar contains indicators that apply to all sectors: a company, regardless of its activity, must have defined its responsibilities in terms of sustainability within its organisation. It must also have a strategy in place and provide high-quality reporting on these topics.

The "Governance and Stakeholders" pillars contain common indicators, as well as sector-specific indicators defined by Ethos in order to assess how companies manage issues that are specific to their activities. For example, indicators relating to health and safety at work or waste management apply to the manufacturing sector but not to the financial sector, which will have specific indicators relating to the inclusion of sustainability criteria in its financing and/or investment strategy.

2.2.2 TYPES OF INDICATORS

Common and specific indicators are grouped into three types:

POLICIES AND OBJECTIVES

Ethos first assesses whether the company has formalised the commitments made by management and whether these commitments are communicated in a detailed and transparent manner. The setting of quantitative targets with clearly defined deadlines is also taken into consideration.

IMPLEMENTATION

The second stage will make it possible to assess whether the company has followed up on its commitments through action. The company is expected to provide information on the measures taken at group level and in its various activities. These measures must be detailed, systematic and cover all operations.

PERFORMANCE

Finally, the indicators measuring performance assess whether the company is monitoring the implementation of its programmes and objectives to ensure that they are effective and enable it to act accordingly.

2.3 CALCULATING THE ESG SCORE

The ESG score is calculated and updated each year on the basis of new information available at the end of the company's financial year.

2.3.1 SECTORS

Companies are classified into sectors defined by Ethos (see Appendix 6.2). These were created on the basis of existing classifications and bring together companies whose activities are similar in order to enable the evaluation and comparison of practices between different peers within the same sector. This breakdown will make it possible not only to assign indicators specific to each sectoral issue, but also to weight them according to their relative importance.

2.3.2 WEIGHTING

With a few exceptions, Ethos assigns the following weights to the various pillars:

- Governance: 30%. This weighting is then distributed in a relevant manner between the different topics and without distinction across the sectors.
- Company strategy and reporting: 10%. This weighting is then divided equally between Strategy and Reporting, and without distinction across sectors.
- Stakeholders: 60%. This weighting is then distributed among the various stakeholders for each Ethos sector according to their specific issues.

2.3.3 AGGREGATION

Indicator evaluation ensures that all data points are expressed in a consistent format: each indicator is assigned a value between 0 and 100, with higher values indicating better performance for the indicator.

The indicators are then automatically aggregated according to the weights assigned to the different pillars and topics.

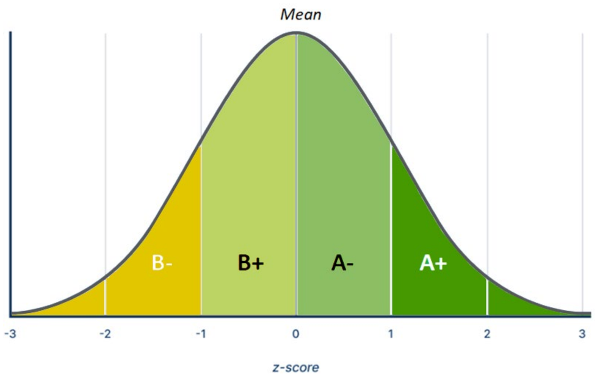
2.4 FROM ESG SCORE TO INTERIM RATING

The ESG score evaluation described in the points above establishes an initial interim rating, which is then adjusted by the analysis of controversies and a final validation, for each of the companies analysed. A methodology based on the z-score is used to convert the ESG score into an interim rating. The z-score is always obtained as follows:

$$z_i = \frac{x_i - \bar{x}}{\sigma}$$

Where x_i is a company's ESG score, i,$\bar{x}$ is the average of the ESG scores among the companies considered and σ is the standard deviation.

GRAPH 1: STANDARDISATION OF ESG SCORES



Given the standardised construction of the rating, the z-score is also dispersed around 0. Consequently, the rules laid out in Table 2 are applied to obtain the interim rating using a best-in-class approach by sector.

Based on the score calculated, companies are assigned one of four interim ratings, ranging from A+ to B-.

TABLE 2: RULES FOR DETERMINING INTERIM RATINGS

Z-SCORE	RATING
$z_i > 1$	A+
$0 < z_i \leq 1$	A-
$-1 < z_i \leq 0$	B+
$z_i \leq -1$	B-

Finally, in addition to compliance with the relative thresholds presented above, absolute minimum scores are required to obtain A+, A- and B+ ratings, depending on the market capitalisation of the company analysed. For example, for companies with a market capitalisation of over CHF 100 billion, a minimum absolute score of 70 is required to obtain an A+ rating. For a company with a lower market capitalisation, the minimum score is 60 to obtain an A+ rating.

The higher expectations of large market capitalisations are mainly due to the fact that they have a greater impact given their size and have more resources to formalise, implement and report on their sustainable activities.

2.5 UPDATING INTERIM SCORES AND RATINGS

Interim scores and ratings are subject to annual revisions based on the information provided in published company documents.

Additional updates can also be performed at the following events:

- Significant developments on ESG topics (e.g. publication of first sustainability report, ambitious new targets on material ESG topics, etc.).
- Corporate actions, such as mergers, acquisitions and demergers.

3. ESG controversies

3.1 ESG CONTROVERSY RESEARCH

In addition to the ESG score and the interim rating, Ethos monitors information published in the press and on NGO websites concerning the companies included in its research universe in order to identify any ESG controversies they may be facing. Depending on the seriousness of the ESG controversies, the company's interim rating may be lowered. Information and news are regularly reviewed for the entire research universe. Ethos' research process consists of two main steps as follows.

3.1.1 CLASSIFICATION OF CONTROVERSIES

When a potential new controversy or a development in an existing controversy is identified, the information collected is classified according to the categories of controversy defined by Ethos (see Appendix 6.3). This information is then used to determine whether the controversy is individual or cross-cutting.

A controversy is said to be individual when a company faces accusations for actions that reflect a unique situation. The Brumadinho dam disaster for Vale, the Deepwater Horizon oil spill for BP, and the Cambridge Analytica data scandal for Facebook are illustrative examples of this. Although these cases can be compared with similar situations, their nature requires them to be assessed individually.

Conversely, a controversy is said to be cross-cutting (or thematic) when the same problem affects several companies at the same time, usually operating in the same sectors, to similar degrees or with significant variations between the companies concerned. The selection of topics is determined by factors such as the potential magnitude of the damage, the systemic nature of the problem (within a sector or region) and the number of companies involved (the greater the number, the greater the need for this type of approach to ensure a systematic and coherent assessment). Examples of such controversies include the opioid affair in the United States, complicity in war crimes, the financing of fossil fuels, and the forced labour of Uyghurs in the value chain. In such cases, it is necessary to use an analytical framework that enables the impact of the same situation on several companies to be compared according to their degree of involvement. The companies concerned are evaluated and compared on the basis of precise quantitative and qualitative criteria, taking into account their exposure to and management of the issue, in order to assign them one of the four levels of controversy defined by Ethos.

3.1.2 ASSESSING CONTROVERSIES: THE IMPORTANCE OF DUAL MATERIALITY

Once the controversy has been analysed, the level assigned can range from "Minor" to "Major", in accordance with the parameters defined in an orientation grid. These parameters take into account the number of cases, their impact and the company's reaction. The lowest level, "Minor", which has no impact on the ESG rating, is not represented in this document.

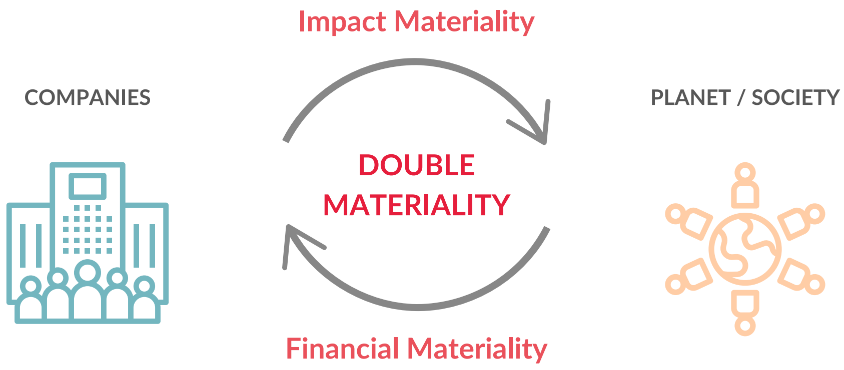
TABLE 3: GENERAL DEFINITIONS OF LEVELS OF CONTROVERSY

MODERATE	Isolated case or cases with a limited and localised impact.
SERIOUS	The company is involved in one or more cases of the same magnitude that have had an impact with widespread damage.
SEVERE	The company is involved in a number of cases of the same scale, with widespread damage.
MAJOR	The controversial case(s) reflects current or deliberate company practice and results in uncontrolled damage. They may be in breach of the law or international conventions. The fact that the company denies the facts and is on the defensive is an aggravating factor.

A detailed table of the various factors generally taken into account to determine the level of a controversy is available (see Appendix 6.4). It is important to note that this support is for guidance only. As each controversy has its own specificities and particularities, the final level of seriousness assigned depends on the specific framework applied. Depending on the type of controversy, specific sector guidelines are used to assist analysts in their assessment. Other assessment criteria, such as the company's reaction and the frequency of similar incidents, may also be applied.

Double materiality also comes into play when assessing the impact of a controversy. As previously mentioned, double materiality means analysing the financial repercussions of the controversy on the company, particularly in terms of fines and legal costs, or potential losses due to a temporary ban on operating in certain markets, and analysing the company's impact on the various stakeholders, particularly the number of people and/or ecosystems affected, the severity of the impact and its duration. Combining the analysis of these two factors enables a comprehensive assessment of the damage. These two aspects are often interconnected: the greater the extent of the damage, the greater the financial impact and the risks for the company. However, this is not always the case, as a controversy may have a limited impact on the company, with little financial or reputational damage, but a significant impact on certain stakeholders or, conversely, a significant financial impact on the company while the direct damage to stakeholders will be rather moderate. This is why a controversy is always analysed from the angle of double materiality.

GRAPH 2: DOUBLE MATERIALITY



3.2 UPDATE AND VALIDATION OF ESG CONTROVERSIES

3.2.1 MONTHLY PROCESS

Ethos uses several data sources to identify companies in real time that are subject to media coverage in connection with controversial practices, and whose ESG rating is therefore likely to change. These cases are then investigated using the research process described above, and the controversies are updated on a monthly basis. Changes in the level of controversy are reviewed and validated by a senior analyst, and any change resulting in a modification of the company's rating is reviewed and validated by the head of research and a member of management. Team sessions are also organised when necessary to discuss cases that may be subject to interpretation before validation. The aim of these meetings is to benefit from the opinions and knowledge of the analyst team and to align practices when dealing with similar cases.

3.2.2 ANNUAL PROCESS

At the time of the annual update of the ESG ratings, a review of the controversies already taken into account in the ESG rating is carried out for each company in order to check that the assessment made is still relevant for the update of the ESG rating. Changes in the level of controversy are reviews and validated by a senior analyst, and any change resulting in a modification of the company's rating is reviewed and validated by the head of research and a member of management.

3.2.3 DIALOGUE AND COMMITMENT

ESG controversies can be the subject of dialogue between Ethos and the companies concerned, either directly or through dialogue campaigns in collaboration with Ethos' partners. A constructive dialogue and a positive response from the company can have an impact on the final assessment of the controversy’s seriousness.

4. ESG rating

4.1 ESG RATING CONSTRUCTION

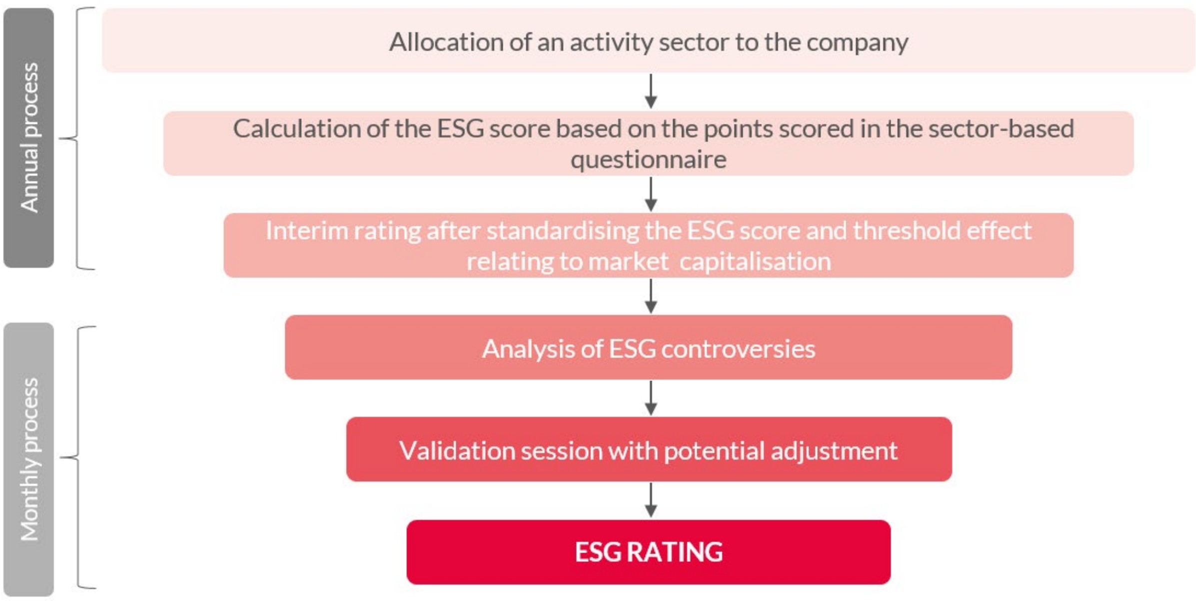
As previously indicated, the final ESG rating is composed of the interim rating (described in Section 2.4) and the maximum severity of ESG controversies (described in Section 3), as shown in Table 4 below.

TABLE 4: INFLUENCE OF CONTROVERSIES ON ESG RATINGS

		ESG SCORE (difference compared to the average)			
		Below +1 standard deviation	Below average	Above average	Above +1 standard deviation
MAXIMUM CONTROVERSY LEVEL	None/Minor	B-	B+	A-	A+
	Moderate	B-	B+	A-	A-
	Serious	B-	B-	B+	B+
	Severe	B-	B-	B-	B-
	Major	C	C	C	C

The process leading to the ESG rating is summarised in Figure 3 below:

GRAPH 3: GENERAL ESG RATING SCHEME



4.2 UPDATING ESG RATINGS

4.2.1 MONTHLY PROCESS

A company's ESG rating may be subject to change when controversies are updated on a monthly basis. Any involvement in a new controversy could result in a change in its rating, as illustrated in Table 4.

4.2.2 ANNUAL PROCESS

At the time of the annual update of the interim rating (based on the "best-in-class" approach), the ESG rating is likely to change according to the new policies or programmes implemented by the company during the year. This annual update is supplemented by a review of the company's controversies.

4.3 VALIDATING ESG RATINGS

The ESG ratings obtained through this process are then reviewed by analysts, who may propose adjustments if they consider it necessary for various reasons. For example:

- The ESG rating has increased/decreased but the z-score remains close to the limit between ratings.
- The ESG score remains constant, but the z-score has improved/deteriorated and is close to the limit between ratings.

In such cases, the ESG rating from the previous year is usually maintained for a further year to ascertain whether the trend persists.

However, there is limited flexibility in implementing such changes, as they typically apply to cases where the z-score falls within +/- 0.1 standard deviations of the limit between ratings, or when the absolute ESG score approaches defined absolute thresholds (less than 1 point).

These proposals must be presented, discussed and validated at validation sessions attended by the senior analysts, the head of research, a member of management, and where necessary, the person in charge of general management.

4.4 INTERPRETING ESG RATINGS

Ethos' ESG scores and ratings provide an opinion on a company's sustainability profile and characteristics, its exposure to sustainability risks and its impact on society and the environment.

A high interim rating indicates that a company manages its ESG risks and impacts relatively well compared to its peers, while a low interim rating indicates that the company manages its ESG risks and impacts less well, relatively speaking. However, with the inclusion of controversies in the ESG rating, a company with a high interim rating could still obtain a low ESG rating. This would indicate that the policies and programmes disclosed by the company are not being implemented in its day-to-day management and that the company continues to be the target of criticism and/or legal proceedings as a result of poor management.

ESG scores and ratings, when combined with financial analysis, can help investors better understand a company's long-term potential.

5. Revision of the methodology

5.1 REVIEW AND VALIDATION PROCESS

The various elements that comprise the ESG rating methodology are regularly reviewed to take account of any developments that may impact it. This may include new regulations on corporate reporting or the emergence of new social and environmental issues that companies will have to face.

These revisions may concern:

- The structure of the methodology.
- The addition or deletion of indicators in line with changes in regulations and social and environmental issues.
- The addition of new business sectors to enable a more detailed analysis of the social and environmental issues specific to them.
- Sector allocation and weighting.

The people in charge of methodology oversee these various developments and also consult Ethos' analyst teams. They prepare proposals for adaptations, which are then discussed with members of the management team for validation before implementation. These meetings are held at least once a year and the approved changes are implemented the following year.

APPENDICES

ethos

6. Appendices

6.1 NON-EXHAUSTIVE EXCERPT FROM THE INDICATORS USED BY ETHOS

All the pillars and topics are represented, while the issues and indicators are only partially represented.

GOVERNANCE	APPLICATION
BOARD OF DIRECTORS	
Structure and composition of the board of directors	
Board size	General
Board independence	General
Board diversity	General
Over-representation of major shareholder(s) on the board of directors	General
Membership of the main committees	
Independence of the audit, remuneration and nomination committee	General
Audit firm mandate duration	General
Shareholders' rights	
Voting rights ("one share - one vote" principle)	General
Voting rights restrictions	General
Remuneration	
Remuneration transparency	General
Disclosure of remuneration components for executive management	General
Remuneration system	
Cap on variable remuneration of executive management	General
BUSINESS ETHICS	
Code of conduct	
Existence of a public code of conduct	General
Coverage of the code of conduct	
Corruption	General
Conflicts of interest	General
Insider trading	General
Anti-competitive practices / fair competition	General
Money laundering	Specific
Dissemination of the code of conduct	
Training of employees on business ethics principles	General
Whistleblowing system	
Existence and characteristics of the whistleblowing system in the event of violation of the principles included in the code of conduct	General
Monitoring and audits	
Monitoring and audits of the principles included in the code of conduct	General
Corporate tax responsibility	
Use of artificial tax arrangements without substance	General
Country-by-country tax reporting	General
Digital responsibility	
Existence of a code or principles on digital responsibility	General
Existence of ethical principles linked to the use of artificial intelligence	General

SUSTAINABILITY STRATEGY AND REPORTING	APPLICATION
STRATEGY	
Key sustainability issues	
Involvement of the board in the ESG risk and strategy definition	General
Variable remuneration linked to ESG performance	General
REPORTING	
Reliability and quality of reported data	
External and independent verification of the sustainability report	General
Sustainability reporting in accordance with international standards	General
STAKEHOLDERS	
EMPLOYEES	
Occupational health and safety	
Occupational health and safety policy	Specific
Diversity and non-discrimination	
Disclosure of the gender pay gap	General
Mobbing and harassment	
Targets on preventing mobbing and harassment in the workplace	General
Employee satisfaction	
Disclosure of employee satisfaction indicators	General
Collective bargaining and freedom of association	
Policy on freedom of association and collective bargaining	Specific
CUSTOMERS	
Product quality and safety	
Quality management system	Specific
SOCIETY AND COMMUNITIES	
Human rights	
Human rights policy	General
Human rights due diligence	Specific
SUPPLIERS	
Sustainable supply chain management	
Assessment of exposure to environmental and social risks throughout the supply chain (risk mapping)	Specific
Existence of and public access to the supplier code of conduct	Specific
ENVIRONMENT	
Waste management	
Existence of quantitative waste reduction targets	Specific
Water management	
Existence of water management programmes	Specific
Ecological footprint of products and services	
Disclosure of indicators on the ecological footprint of products and services	Specific
Biodiversity	
Existence of biodiversity protection and restoration programmes	Specific
Greenhouse gas emissions (GHG)	
Objective of "zero net emissions" by 2050	General
Alignment of capital expenditures with GHG reduction targets	General
Climate-related scenario analysis	General
Science-based GHG emission reduction targets	General
Use of an internal carbon pricing mechanism	General
Energy management	
Target of 100% renewable energy for the entire Group	General

6.2 ETHOS SECTORS

Aerospace & Defence
Airport
Auto Components
Automotive
Banks
Building Products
Car leasing
Chemicals
Commercial Services
Construction & Engineering
Construction Materials
Consumer Durables
Containers & Packaging
Development bank
Diversified Financials
Electrical Equipment
Export credit agency
Food Retailers
Food, Beverage & Tobacco
Healthcare
Homebuilders
Hospital
Household Products
Industrial Conglomerates
Insurance
Investment holding companies
Leisure & Hospitality
Machinery
Media
Metals & Mining
Mortgage credit
Oil & Gas Producers
Paper & Forestry
Pharmaceuticals
Real estate
Refiners & Pipelines
Regional bank
Retail
Security Services
Semiconductors
Software & Services
Steel
Technology Hardware
Telecommunication Services
Textiles & Apparel
Traders & Distributors
Transportation
Transportation Infrastructure
Utilities

6.3 ESG CONTROVERSY CATEGORIES

PILLAR / TOPIC	CATEGORY
GOVERNANCE	Corporate governance
ENVIRONMENT	Responsible sourcing
	Coal exposure
	Non-conventional extraction method
	Emissions, effluents and waste
	Water management
	Impacts on ecosystems
	Energy use and GHG emissions
	Serious environmental damages
BUSINESS ETHICS	Privacy and data security
	Marketing practices
	Anti-competitive behaviour / market manipulation
	Corruption
	Fraud and irregularities
	Tax avoidance / optimisation
	Misleading communication
	Money laundering
	Animal mistreatment
	Corporate complicity in human rights abuses
	Market power abuse
	Conflicts of interest
	Insider trading
PRODUCT-RELATED	Customer safety
	Product sustainability
	Controversial financing and investment
	Controversial weapons
	Infrastructure quality
	Unsafe clinical trials
	Use of Genetically Modified Organisms (GMOs)
SOCIAL	Human rights, including child labour
	Labour issues in the supply chain
	Labour rights and working conditions
	Occupational health and safety
	Community relations
	Risk of armed attack on civilians

6.4 ETHOS CONTROVERSY LEVELS

DEGREE OF CONTROVERSY	NUMBER OF SIMILAR CASES	NUMBER OF INDIVIDUALS AFFECTED / EXTENT OF DAMAGE	MONEY AT STAKE	COMPANY COMMUNICATION ON THE CONTROVERSY	QUANTITY AND QUALITY OF SOURCES	QUALITY OF EVIDENCE	TEMPORALITY
MODERATE	Isolated case	A few individuals/ localised damage	Thousands/millions	Confessions and apologies	Few sources, variable quality of information	Little tangible evidence (stories, testimonies)	The event or similar events are old (>10 years) and/or ongoing
SERIOUS	Several cases of the same scale	Part of a community or group/ widespread damage	Millions	Neutral communication	Several sources, variable quality of information	Good body of evidence (serious NGOs, scientific studies)	The event or similar events are fairly old (between 5 and 10 years) and/or are ongoing
SEVERE	Repetitive and systematic	A significant part of a community or group/ large-scale damage and consequent impact	Hundreds of millions	Opposing communication does not provide an adequate response	Large number of sources, reliable information	Tangible evidence (multiple studies, internal documents)	The event or similar events are fairly recent (between 2 and 5 years) and/or ongoing
MAJOR	Current company practice	An entire community or group/ uncontrolled damage	Billions	Denial and aggressive communication	Facts reported by a large number of reliable and recognised sources	Irrefutable evidence (judgements, reactions from the authorities)	The event or similar events are recent and/or ongoing

Headquarter
Place de Pont-Rouge 1
P.O. Box 1051
1211 Geneva 26

Zurich Office
Glockengasse 18
8001 Zurich

info@ethosfund.ch
www.ethosfund.ch
T +41 58 201 89 89