

●ethos

EEP International

Annual report 2021

Summary



The **Ethos Foundation** is composed of more than 220 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.



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 programme 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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Corporation

www.ethosfund.ch

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This engagement report has been prepared on the basis of dialogue with the companies, as well as information gathered from sources available to investors and the general public. Despite multiple checks, the information cannot be certified as accurate. Ethos Services takes no responsibility for the accuracy of the published data.

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1. Preface

The willingness of most listed companies to engage in a serious dialogue with their shareholders on environmental, social and governance (ESG) issues has continued to grow this year. One reason for this is the growing sensitivity of investors, who are increasingly approving shareholder resolutions on ESG issues. In this respect, the Ethos Engagement Pool International (EEP International), with its 77 members at the end of 2021, is an excellent platform for such a dialogue. With CHF 217 billion in assets under management, EEP International is already the fourth largest European pension fund as an entity. EEP International is therefore undoubtedly a voice that is listened to and heard by the governing bodies of companies, even outside Switzerland.

In the context of the ongoing COVID-19 pandemic, social issues remain a priority for many investors. In this area, Ethos and the EEP International played a leading role in the Workforce Disclosure Initiative (WDI) in 2021. Ethos was elected to the Advisory Group by the participating investors in an open ballot and can now, thanks to this mandate, be involved in the strategy until the end of 2023. On an operational level, Ethos and the EEP International have also been heavily involved in the initiative, engaging in dialogue with over 20 companies. The aim of this initiative is to obtain, through an annual questionnaire, standardised data from listed companies on their relations with their employees. The data collected concerns not only the companies' own employees but also those of their suppliers. This initiative enables investors to compare the practices of different companies and to encourage them to improve.

The issue of climate change also remains important to EEP International. As deforestation is one of its major causes, a new climate change pledge campaign was launched in 2021 to encourage different companies in the beef and soy value chain to adopt better practices to avoid deforestation. The initiative covers producers, traders and retailers. A first conference call was organised with each of the seven targeted companies before the end of 2021, during which Ethos was able to explain its expectations.

We are also very pleased that, thanks to a proposal from several members of EEP International, a fourth and new commitment priority was adopted at the annual meeting last November: biodiversity. Biodiversity refers to the diversity of living species on Earth, including plants, animals, bacteria and fungi. Millions of them are now threatened with extinction, which has an impact on the resilience of ecosystems and the livelihoods of all living things. This theme is closely linked to climate change and includes, for example, the protection of ecosystems, the reduction of plastic and air pollution and the promotion of circular economy models. In the future, we will also propose initiatives in this area to encourage companies to rethink and adapt their practices and procedures in this area.

This annual report details ongoing developments and progress on each of the engagement initiatives. As agreed with members, EEP International focused in 2021 on the themes of human and labour rights, climate change and corporate governance. Your support as a member institution of EEP International has enabled Ethos to pursue a sustained and constructive dialogue with listed companies outside Switzerland. Thanks to the increased membership of EEP International, the team has been strengthened by the addition of a new member at the beginning of 2022.

On behalf of the Ethos Foundation Board, the Board of Directors of Ethos Services SA and the entire staff of Ethos, we would like to thank you for your trust and your valuable support. You enable Ethos to conduct a quality dialogue with companies and to achieve concrete progress in their consideration of sustainability.



Matthias Narr
Head Engagement International

2. Preamble

The 2021 activity Report of the Ethos Engagement Pool International (EEP International) has been drafted in accordance with the provisions of the contract between the member institutions of the EEP International and Ethos Services SA. It presents the steps taken and the results obtained in the framework of the dialogue conducted by Ethos Services with listed companies on behalf of EEP International members.

As the dialogue with companies is essentially based on discretion and mutual trust, the annual report is sent in printed form to the EEP International members only and is not made public. However, for reasons of transparency, a summary of the report is published on the Ethos website, www.ethosfund.ch.

Building on the success of the Swiss Shareholder and Corporate Dialogue (EEP Switzerland), the EEP International was launched in early 2017. By the end of 2021, the EEP International already had 77 members with assets under management totalling CHF 217 billion and 1,052,658 people insured.

This report presents all the engagement initiatives undertaken by Ethos on behalf of the members of EEP International in 2021.

- The EEP International participated in 38 engagement initiatives during the year.
- A total of 1,869 companies were targeted in these engagement initiatives.
- 16 of these initiatives were on environmental issues, 18 on social issues and 4 on governance issues.

In some initiatives, the EEP International conducted direct dialogue with 79 companies.

2.1. Types of engagement

In order to provide the EEP International members with the most effective engagement service possible, Ethos uses various shareholder dialogue approaches.

Collaborative engagement

As agreed with the founding members, the focus has been on the participation of the EEP International members in international initiatives for collaborative engagement. The EEP International

members sign up to initiatives as individuals, unless the initiating organisation decides to include EEP International as a single entity for administrative or strategic reasons.

These collaborative engagement initiatives bring together a large number of institutional investors and thus increase the impact of engagement activities. For each proposed initiative, Ethos prepares a file for the members of the EEP International and carries out all the administrative formalities necessary for their participation. In the case of recurrent collaborative engagement initiatives extending over several years, Ethos follows up on developments and ensures that the EEP International members remain integrated in the activities of these initiatives.

Direct engagement

On behalf of the members of the EEP International, Ethos conducts direct dialogue with carefully selected companies. Direct dialogues can take different forms:

1. As part of a collaborative engagement initiative, Ethos may also engage in direct dialogue with one or more companies on behalf of the EEP International.
2. The EEP International members have the possibility to define specific themes and companies and to mandate Ethos to launch their own direct dialogue initiatives on behalf of the EEP International.

Policy engagement

This type of dialogue takes place with different organisations or authorities that have an influence on the framework conditions of listed companies (regulators, parliaments, standard setters). In 2021 the engagement took place by sending letters co-signed with other institutional investors.

2.2. Engagement process

Where possible, Ethos defines five steps to measure the progress of the direct engagement process with companies:

- Milestone I: Letter to the Chair of the Board of Directors
- Milestone II: Direct contact with the company
- Milestone III: The company accepts the challenge and is open to dialogue
- Milestone IV: The company develops a serious strategy on the issue
- Milestone V: The issue is addressed and convincing measures are put in place

These steps allow companies to monitor their efforts and measure their progress.

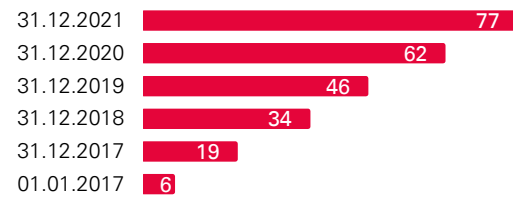
Intensification

Direct dialogue with companies is confidential and based on mutual trust. However, when the dialogue is unsuccessful or in the case of companies with serious shortcomings, Ethos may increase the intensity of the dialogue and take the following measures:

- Statement at the Annual General Meeting;
- Collaboration with other shareholders;
- Recommendation to vote against the proposals made by the governing bodies;
- Recommendation to vote against board members;
- Filing of a shareholder resolution;
- Initiation of legal proceedings;
- Recommendation for exclusion.

2.3. EEP International members

Growth since the launch of EEP International



List of members

- Aargauische Pensionskasse (APK)
- ATISA Personalvorsorgestiftung der Tschümperlin-Unternehmungen
- Bernische Lehrerversicherungskasse
- Bernische Pensionskasse BPK
- Caisse Cantonale d'Assurance Populaire – CCAP
- Caisse de pension du Comité international de la Croix-Rouge
- Caisse de pension Hewlett-Packard Plus
- Caisse de pensions de l'Etat de Vaud (CPEV)
- Caisse de pensions du personnel communal de Lausanne (CPCL)
- Caisse de pensions ECA-RP
- Caisse de prév. des Fonctionnaires de Police & des Etablissements Pénitentiaires
- Caisse de Prévoyance de l'Etat de Genève CPEG
- Caisse de Prévoyance des Interprètes de Conférence (CPIC)
- Caisse de prévoyance du personnel communal de la ville de Fribourg*
- Caisse de prévoyance du personnel de l'Etat de Fribourg (CPPEF)
- Caisse de prévoyance du personnel de l'Etat du Valais (CPVAL)
- Caisse de retraite professionnelle de l'industrie vaudoise de la construction*
- Caisse intercommunale de pensions (CIP)
- Caisse paritaire de prévoyance de l'industrie et de la construction (CPPIC)
- CAP Prévoyance
- Cassa pensioni di Lugano*
- CIEPP - Caisse Inter-Entreprises de Prévoyance Professionnelle
- CPCN - Caisse de pensions de la fonction publique du canton de Neuchâtel*
- Emmi-Vorsorgestiftung*
- Etablissement Cantonal d'Assurance (ECA VAUD)
- Evangelisch-reformierte Landeskirche des Kantons Zürich*
- Fondation de la métallurgie vaudoise du bâtiment (FMVB)
- Fondation de prévoyance Artes & Comoedia
- Fondation de prévoyance des Paroisses et Institutions Catholiques (FPPIC)
- Fondation de prévoyance du Groupe BNP PARIBAS en Suisse
- Fondation de prévoyance professionnelle en faveur de AROMED*
- Fondation de prévoyance Romande Energie*
- Fondation Interprofessionnelle Sanitaire de Prévoyance (FISP)
- Fondation Leenaards
- Fondation Patrimonia
- Fonds de Prévoyance de CA Indosuez (Suisse) SA
- Fonds interprofessionnel de prévoyance (FIP)
- Gebäudeversicherung Luzern
- Gebäudeversicherung St. Gallen
- Loyalis BVG-Sammelstiftung*
- Luzerner Pensionskasse
- Nest Sammelstiftung
- Pensionskasse AR
- Pensionskasse Bank CIC (Schweiz)
- Pensionskasse Basel-Stadt
- Pensionskasse Bühler AG Uzwil
- Pensionskasse Caritas
- Pensionskasse der Basler Kantonalbank
- Pensionskasse der Stadt Frauenfeld*
- Pensionskasse der Stadt Weinfelden*
- Pensionskasse der Stadt Winterthur
- Pensionskasse Pro Infirmis
- Pensionskasse Römisch-katholische Landeskirche des Kantons Luzern
- Pensionskasse Schaffhausen
- Pensionskasse SRG SSR
- Pensionskasse Stadt Luzern
- Pensionskasse Stadt St. Gallen
- Pensionskasse Unia
- Personalvorsorgekasse der Stadt Bern
- pPreviva, fonds de prévoyance des professionnels du travail social*
- Prévoyance Santé Valais (PRESV)
- Profelia Fondation de prévoyance
- Prosperita Stiftung für die berufliche Vorsorge
- Raiffeisen Pensionskasse Genossenschaft*
- Rentes Genevoises
- RP - Fonds institutionnel
- Secunda Sammelstiftung
- Spida Personalvorsorgestiftung*
- St. Galler Pensionskasse
- Stiftung Abendrot
- Stiftung Personalvorsorge Liechtenstein*
- SVA Zürich*
- Terre des hommes Schweiz
- Unfallversicherungskasse des Basler Staatspersonals
- Université de Genève (UNIGE)
- Verein Barmherzige Brüder von Maria-Hilf (Schweiz)
- Vorsorge SERTO

* Members who joined the EEP International in 2021

3. 2021 Key figures

3.1. Overview

Number of initiatives	38
<i>Environmental initiatives</i>	16
<i>Social initiatives</i>	18
<i>Corporate governance initiatives</i>	4
<i>One-off initiatives</i>	10
<i>Multi-year initiatives</i>	28
<i>Collaborative engagement initiatives</i>	32
<i>Direct Initiatives by Ethos</i>	6
<i>Initiatives targeting businesses</i>	31
<i>Initiatives targeting legislators (Policy Engagement)</i>	7
Of which initiatives completed	6

3.2. Targeted companies

Number of companies targeted	1,869
<i>Share of MSCI World (as at 31.12.2021)</i>	61%
<i>Share of MSCI EM (at 31.12.2021)</i>	30%
<i>Share of MSCI ACWI (as at 31.12.2021)</i>	46%
Of which companies directly targeted by Ethos	79
<i>In the context of collaborative engagement initiatives</i>	44
<i>In the context of direct initiatives by Ethos</i>	35

3.3. Engagement activities

Total engagement activities	544
Of which in the framework of collaborative initiatives	384
<i>Letters to management/board of directors</i>	130
<i>E-mails</i>	120
<i>Phone calls</i>	74
<i>Various</i>	60
Of which through direct engagement initiatives by Ethos	160
<i>Letters to management/board of directors</i>	27
<i>E-mails</i>	87
<i>Phone calls</i>	37
<i>Various</i>	9

3.4. Progress in engagement

Number of companies targeted in direct initiatives by Ethos	35
<i>With a positive evolution</i>	16 (46%)
<i>With a neutral evolution</i>	18 (51%)
<i>With a negative development</i>	1 (3%)

The evaluation of progress is based on Ethos' own system of steps:

- Positive: the company has reached at least one additional milestone during the reporting year;
- Neutral: the company remained on the same milestone stage during the reference year;
- Negative: the company has taken at least one step backwards during the reference year.

3.5. Focus: Decarbonisation through dialogue

While there is no doubt that divestment can help reduce climate risks in investors' portfolios, it is difficult to determine the extent to which it contributes to decarbonising the real economy. This section shows how the EEP International has achieved concrete improvements in this area through active ownership.

Within the EEP International, 16 specific climate change initiatives were underway in 2021, targeting 1,094 companies. EEP International's engagement activities covered

- 86% of the absolute emissions of the MSCI World Index
- 67% of the absolute GHG emissions of the MSCI EM index
- 74% of the absolute GHG emissions of the MSCI ACWI

(In each case scopes 1+2).

The results for two particularly GHG-intensive sectors, namely the electricity sector and the oil and gas industry, are described below.

Electricity sector

In June 2018, the EEP International launched a direct engagement campaign on the issue of decarbonisation with a selection of European power producers. During this engagement and until the end of 2021, EDF, Enel, Engie and RWE have set scientifically validated greenhouse gas emission reduction targets, responding to a central request from Ethos. The targets of the four companies have been validated by the independent Science Based Targets initiative. Achieving these targets will result in substantial reductions in greenhouse gas emissions for all four companies by 2030.

The example of RWE illustrates this well: the German company's target is to reduce its GHG emissions from electricity generation (scope 1) by 50% per kWh by 2030, starting with the base year 2019. In 2019, RWE generated 93 million tonnes of GHG emissions. Thus, if electricity production remains constant, RWE will emit only 46 million tonnes of GHG in 2030. For comparison, the reduction corresponds almost exactly to Switzerland's annual national GHG emissions.

Net zero emissions target by 2050

Since the end of 2017, EEP International members have been participating in the Climate Action 100+ initiative. According to a survey conducted in September 2021 by BloombergNEF, the number of Climate Action 100+ companies with a net zero emissions target has increased significantly since the initiative began. Today, 111 of the 167 companies involved have such a target. According to BloombergNEF, meeting these commitments would result in a reduction of 3.7 billion tonnes of CO₂ per year by 2030, which is equivalent to the current emissions of India and Japan. For the year 2050, BloombergNEF estimates that the reduction would be 9.8 billion tonnes of CO₂ per year, equivalent to China's current emissions.

4. Engagement activities by topic

The themes for dialogue and the companies selected reflect the interests of the EEP International members. In November 2020, the EEP International members decided to focus on climate change for environmental engagement and on human and labour rights for social engagement. In the area of governance, the focus is on shareholder rights and remuneration.

In this chapter, the initiatives are grouped according to the three ESG dimensions.

4.1. Environment

E.1. Banking on a Low-Carbon Future

Under this initiative, launched in 2014 and coordinated by Boston Common Asset Management and ShareAction, The EEP International and other institutional investors are calling on the banks involved to critically review their financing of carbon-intensive activities, align it with the objectives of the Paris Agreement and report on climate change in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In 2018, 2019, 2020 and 2021, the initiators published a study on the progress of the targeted banks, which then served as a basis for dialogue with these banks. Within the group, Ethos is leading the dialogue with two major Swiss banks.

E.2. Investor Decarbonization Initiative

In 2017, EEP International joined the multi-year Investor Decarbonisation Initiative (IDI) coordinated by ShareAction in the UK. In the meantime, the network of investors supporting the initiative has grown to 116 institutional investors with over USD 2,400 billion under management. In 2021, 31 letters signed by investors were sent to companies in various sectors, including power generation, cement, automotive and retail, encouraging them to sign up to one or more of the following actions: adopt a science-based emissions reduction target (SBT), go 100% renewable (RE100), aim for high energy performance (EP100) and promote electric mobility (EV100). In addition, a specific campaign has been launched in 2021 that focuses on the decarbonisation strategies of European chemical companies.

E.3. Participation in the Carbon Disclosure Project (CDP)

As part of this initiative, EEP International and a broad group of international investors have asked a number of companies that have not yet responded to the CDP climate change questionnaire to do so. The CDP is a non-profit organisation that enables companies to report on their greenhouse gas (GHG) emissions in a standardised way. In 2021, 168 investors representing USD 17 trillion in assets under management participated in the initiative. A total of 1,011 companies were targeted, of which 249 decided to complete the CDP 2021 questionnaire.

E.4. Climate Action 100+

In the framework of Climate Action 100+, 617 institutional investors, including members of the EEP International, are addressing the 167 largest greenhouse gas (GHG) emitters, which are responsible for approximately 80% of global industrial emissions. In this context, Ethos is conducting a direct dialogue with three companies on behalf of Climate Action 100+ and the EEP International. Until 2023, the Climate Action 100+ initiative will seek to encourage the boards and management of companies that qualify as systemically important in terms of GHG emissions to take three actions: First, establish governance that includes board accountability and oversight of climate risks. Second, reduce GHG emissions throughout the value chain, in line with the Paris Agreement's goal of keeping the average global temperature increase to less than 2° above pre-industrial levels. Third, improve reporting by following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). On behalf of central banks, the TCFD has developed recommendations for the voluntary disclosure of climate-related financial risk data by companies to provide standardised information to investors, lenders, insurers and other stakeholders.

E.5. Ambitious climate strategies in the European electricity sector

In June 2018, the EEP International launched its own engagement campaign to encourage eight European power producers to develop ambitious climate strategies. As part of this project, five demands were made: to decarbonise the electricity generation mix, to set a science-based CO₂ emissions reduction target, to engage in responsible lobbying, to develop

new business models and to report in line with TCFD recommendations. The EEP International has given itself at least three years to complete this commitment. At the start of the engagement campaign, an introductory letter was sent to the chairmen of the boards of the companies concerned; these letters were signed by the EEP International members and interested members of the Interfaith Center for Corporate Responsibility (ICCR). An intensive dialogue was then initiated with all companies. Several telephone calls and visits were made to clarify the EEP International's expectations and to discuss the companies' views on the subject. Since the start of the campaign, the engagement has been successfully completed with the companies Enel, RWE and EDF.

E.6. US Utility Decarbonization Initiative

The EEP International and a group of institutional investors, coordinated by the Climate Majority Project, sent letters in February 2019 to 20 US utility companies asking them to set a net zero CO₂ emissions target by 2050. By the end of 2021, all targeted companies had committed to a net zero emissions target by 2050. The initiative was therefore closed in 2021.

E.7. Investor expectations of climate lobbying in the US

In September 2019, the EEP International and a group of institutional investors, coordinated by Ceres, Walden Asset Management and BNP Paribas Asset Management, sent a letter to 47 US companies asking them to align their lobbying activities with the goals of the Paris Climate Agreement. Since then, 27 companies have confirmed that they have received these letters and have engaged with the signatories of the investor statement. In September 2020, the signatories sent a follow-up letter asking the 47 companies to re-align their climate lobbying activities with the expectations expressed in the investor statement. Since the first letter on climate lobbying was sent, only four US-based companies have published reports on the subject. Four other companies have committed to reporting on their lobbying in line with the Paris Agreement in the future.

E.8. Investors' expectations of airlines on climate change

In February 2020, the EEP International and a group of institutional investors, coordinated by the Principles for Responsible Investment (PRI), sent an investor statement to airlines and aerospace companies. The

statement was signed by 122 institutional investors representing USD 6,400 billion in assets under management. It calls on airlines and aerospace companies to align their climate strategies with the goals of the Paris Climate Agreement. In January 2021, a guide was published for investors to require airlines to take systematic action to reduce their emissions.

E.9. Letter to EU leaders on sustainable recovery from the COVID-19 pandemic

In June 2020, in the wake of the COVID-19 pandemic, the EEP International and a group of institutional investors sent an open letter to European leaders calling on them to create sustainable economic stimulus packages that are consistent with the Paris Climate Agreement. The initiative is coordinated by the Principles for Responsible Investment (PRI), the Carbon Disclosure Project (CDP) and the Institutional Investors Group on Climate Change (IIGCC) and the letter was signed by 177 investors representing EUR 12 trillion in assets under management. The measures to support the economy will involve the distribution of significant financial resources that will determine the development of European economies for the next decade. The transition to a low-carbon future creates significant opportunities for job creation, economic growth, increased energy security and improved air quality. This letter was conceived as a one-off action and the initiative was therefore closed in 2021.

E.10. Letter asking banks to stop financing the Mountain Valley pipeline

In February 2021, the EEP International and a group of institutional investors sent letters to nine banks expressing concern about the climate, financial and reputational risks associated with the Mountain Valley Pipeline and calling on them to stop funding the controversial project. The initiative is coordinated by the Sierra Club Foundation and has been signed by 98 institutional investors representing USD 245 billion in assets under management. Due to the lack of response from the banks, the Sierra Club Foundation has begun legal action against the Mountain Valley Pipeline in late 2021.

E.11. Ambitious methane emissions regulations for the US oil and gas industry

The EEP International and a group of institutional investors issued an investor statement in May 2021 calling on the US Environmental Protection Agency (EPA) to strengthen methane emissions regulations for the US oil and gas industry. The initiative is

coordinated by the Interfaith Center on Corporate Responsibility (ICCR) and has been signed by 147 institutional investors representing USD 5,350 billion in assets under management. Methane emissions (from all sources) are responsible for 25% of current global warming. The oil and gas sector are both the largest source of anthropogenic methane emissions and the area where reductions are most easily achieved. The EPA finally published a proposed new rule in November 2021. The proposed rule would significantly reduce methane emissions from oil and gas facilities.

E.12. Statement in support of strict SEC climate reporting requirements

In June 2021, the EEP International and a group of institutional investors issued an investor statement to encourage the US Securities and Exchange Commission (SEC) to introduce strict climate reporting requirements. The initiative is coordinated by Ceres and has been signed by 180 institutional investors representing USD 2,700 billion in assets under management.

E.13. Investor statement to governments on the climate crisis

The EEP International and a group of institutional investors launched in October 2021, ahead of the COP 26 climate conference in Glasgow, a global investor statement signed by 733 institutional investors with USD 52 trillion in assets under management. The declaration contains concrete demands for governments to step up their efforts to tackle climate change and meet the goals of the Paris Agreement.

E.14. Investors' letter to banks on climate and biodiversity expectations

The EEP International and a group of institutional investors sent letters to more than 60 banks around the world ahead of the COP 26 climate conference in Glasgow to clarify investors' expectations on climate and biodiversity. This initiative, coordinated by ShareAction, was supported by 115 investors with USD 4,200 billion in assets under management. By the end of 2021, 46 of the 63 banks contacted had responded and 24 had confirmed that they would publish new climate targets at the latest at their general meetings in 2022.

E.15. Deforestation in the beef and soy value chains

In August 2021, the EEP International launched a new engagement campaign aimed at engaging various companies in the beef and soy value chain, which are heavily involved in deforestation, to adopt effective deforestation prevention practices. The initiative covers producers, distributors and retailers. A conference call was held with each of the seven companies involved before the end of 2021, during which Ethos explained its expectations.

E.16. Campaign to encourage publication of greenhouse gas emissions in the EU technology sector

The EEP International and a group of institutional investors have sent letters to six European technology companies in December 2021. As part of the campaign, companies are asked to publish their greenhouse gas emissions. The initiative is coordinated by Arabesque Asset Management and has been supported by 98 institutional investors representing USD 925 billion in assets under management.

4.2. Social

S.1. KnowTheChain

In May 2018, the EEP International joined a group of international investors supporting the KnowTheChain (KTC) initiative. KTC is a partnership established by the non-governmental organisations Humanity United, Business & Human Rights Resource Centre, Verité as well as the consultant Sustainalytics. This partnership aims to promote transparent and responsible supply chains by benchmarking the practices of different companies. By identifying best practices in responsible supply chain management, the group hopes that these practices will be progressively adopted by the largest number of companies. By benchmarking companies' practices, KTC encourages them to manage the risks associated with forced labour in their supply chains. KTC launched its first standards in 2016 focusing on the information and communication technology (ICT), food and beverage, and textile sectors, followed by a second assessment in 2018 for the same sectors. In 2020, a third assessment focused on the information and communication technology and food and beverage sectors. Ethos decided to become lead investor to engage two companies on the benchmark results. The dialogue continued with both companies in 2021. Following the information published on the forced labour of the Uyghur minority in China, Ethos

intensified the dialogue on companies' human rights due diligence. In addition, a new benchmark was published in early 2021.

S.2. Extension of the "Accord on Fire and Building Safety in Bangladesh"

After the Rana Plaza tragedy, textile companies sourcing from Bangladesh founded the "Accord on Fire and Building Safety in Bangladesh" (the Accord). This agreement, which brings together mainly European companies, local producers and trade unions in Bangladesh, aims to improve the safety of local subcontractors' factories, including the creation of works councils and the implementation of independent monitoring of health and safety conditions in the factories. On the fourth anniversary of the Rana Plaza tragedy in April 2017, the EEP International and a group of international investors issued a statement encouraging Accord member companies to continue their efforts to complete fire and building safety improvements in the Bangladesh textile industry. In view of the willingness expressed by the country's authorities to terminate the activities of the Accord, four further letters were sent to companies and local authorities until the end of 2019, requesting that the Accord be continued for three years as agreed. The Bangladeshi government is hostile to the Agreement, which it sees as a risk to the textile industry, which could lose customers to unregulated countries. However, in May 2019, after intensive negotiations, the textile entrepreneurs' trade association and the authorities allowed the Agreement to continue its activities in Bangladesh for another year. In June 2020, the tasks of the Accord were transferred to the RMG Sustainability Council (RSC), a new local monitoring institution, in the hope that it will monitor the textile industry as rigorously as the Accord, while strengthening local expertise and accountability in the sector. In 2021, trade unions, non-governmental organisations (NGOs) and investors increasingly insisted that an extension of the Agreement was necessary to complete its outstanding measures and to give the new local monitoring body more time to focus on its activities. In April, the EEP International signed an investor statement coordinated by the Interfaith Center for Corporate Responsibility (ICCR), calling for the continuation of the Agreement. Indeed, a new two-year agreement has entered into force and continues to be legally binding on international brands.

S.3. Labour rights in textile supply chains

This initiative was launched after the Rana Plaza tragedy. Following this accident, the EEP International encouraged companies to support and expand the "Accord on Fire and Building Safety in Bangladesh"

(the Accord). Since then, this engagement with eight European companies has grown to address a range of issues related to workers' rights and the sustainability of supply chains in the textile industry. In 2020, the initiative focused on the companies' response to the COVID-19 pandemic. In 2021, the increase in publications on alleged forced labour in the Xinjiang Uyghur Autonomous Region attracted attention.

S.4. Workforce Disclosure Initiative (WDI)

In April 2018, EEP International joined a group of international investors supporting the Workforce Disclosure Initiative (WDI). The aim of the initiative is to improve transparency on how large multinational companies manage their human capital. The ultimate goal of the WDI is to improve the quality of jobs in multinational companies, both at the group level and throughout their supply chain. The WDI is modelled on the Carbon Disclosure Project (CDP) and uses existing reporting standards. The data it asks companies to publish relates to the composition of their workforce, development and worker engagement. At the end of December 2020, the WDI was supported by 51 institutional investors with assets of over USD 5 trillion. During its pilot year (2017), the WDI received responses from 34 large international companies out of 76 contacted. In 2018, 90 companies completed the questionnaire (out of 500 contacted). In 2019, 118 companies responded and in 2020, 141 companies responded (out of 750 contacted). As part of this initiative, Ethos is responsible for engaging with four companies included in the WDI universe. A representative of Ethos has also been appointed to the initiative's advisory board. In 2021, Ethos continued its role as lead investor for four international companies in the WDI universe. In addition, Swiss companies from the Swiss Market Index (SMI) were approached by Ethos and five finally participated in the initiative. Ethos is pleased to have been elected in an open ballot to the initiative's advisory board and to be strategically involved in the initiative's orientation until the end of 2023.

S.5. Exclude companies involved in controversial arms from stock market indices

In September 2018, the EEP International and a group of Swiss institutional investors, coordinated by Pictet Asset Management and Swiss Sustainable Finance (SSF), signed an open letter to major index providers asking them to exclude companies that supply controversial weaponry from traditional indices. The cause was supported by 176 Swiss and international signatories such as ING in the Netherlands and the Church of England. Together, these institutional

investors represent almost USD 10 trillion in assets under management. Index providers were open to dialogue and the initiative was closed in 2021 due to positive policy developments on disclosure requirements in the European Union. The main outcome is that mainstream indices that wish to use the EU Climate Transition or EU Paris-aligned labels must exclude controversial arms producers.

S.6. Environmental and social issues in rare earth supply chains

Following a study on rare earths by Shareholders for Change (SfC), the EEP International, in collaboration with SfC, sent letters to 12 relevant companies in the automotive, chemical and energy sectors in June 2020. These companies are active in the field of low-carbon technologies, such as renewable energy, energy storage and energy efficiency. The letters ask the companies concerned to ensure appropriate environmental and social practices in their supply chains. Indeed, the conditions under which rare earths are extracted are often precarious. Even the most basic safety measures to ensure the health and safety of workers are often not respected. In addition to the social dimension, the environment is also negatively affected by rare earth mining, in particular through deforestation, soil erosion, groundwater pollution and toxic mining waste. This commitment has generated a lot of interest among the companies involved and has led to rapid progress. The engagement with five companies was successfully completed by the end of 2020. Ethos continued the engagement with the remaining seven target companies in 2021. As part of this engagement, Ethos is responsible for the dialogue with one company. In 2021, this company was open to dialogue and integrated several of Ethos' requests into its procedures and guidelines. Towards the end of 2021, the first phase of the engagement was successfully completed and the second phase could be planned. This phase will focus more on retraining and the risks of forced labour with the Uyghur minority.

S.7. Investor support for BankTrack's human rights practice standard

The EEP International and a group of institutional investors, coordinated by the Investor Alliance for Human Rights (IAHR), sent an investor statement to 50 banks in March 2020 urging them to close the gaps identified by the NGO BankTrack against human rights best practice as defined by the NGO. The statement was signed by 80 institutional investors representing USD 200 billion in assets under management. Several positive events took place in 2021 demonstrating that banks have a duty of care on

human rights and that they are fulfilling it. In particular, one international bank was the first major bank to adopt a human rights complaint mechanism.

S.8. Improvement of the results of the Corporate Human Rights Benchmark (CHRB)

In April and May 2021, the EEP International and a group of institutional investors sent letters to 106 companies that are classified as laggards because of their inaction on managing human rights risks and implementing due diligence in their supply chains. The letters ask companies to demonstrate their commitment to human rights by publishing information about their human rights systems and processes. This initiative is coordinated by the Investor Alliance for Human Rights (IAHR) and the World Benchmarking Alliance (WBA). By 2021, 208 signatories, representing USD 5,800 billion in assets under management, had signed the letters, which have also been published as an investor statement. Of the targeted companies, 34 have responded and dialogue has been initiated with 9 of them. Ethos is responsible for the dialogue with one company since 2021. Some of the targeted companies accepted the investors' requests and published relevant information, which enabled them to achieve better results in the next CHRB assessment.

S.9. Supply chain management in the luxury fashion sector

In August 2020, the EEP International and a group of institutional investors signed an investor statement calling on three companies in the luxury fashion sector to improve transparency in supply chain management and to aim for a living wage. This initiative was coordinated by Amundi and MN Asset Management. The declaration is an extension of the work done by the two organisations that launched the initiative with the Living Wage Financials (PLWF) platform. It has been supported by a broad alliance of investors representing USD 7 trillion in assets under management. Due to the substantial progress made by the three target companies, this initiative has been closed in 2021. The remaining outstanding issues will be followed up in 2022 under the PLWF.

S.10. Combating the exploitation of migrant workers in the United Arab Emirates (UAE)

In August 2020, EEP International and a group of institutional investors sent over 50 letters to international companies headquartered in the United Arab Emirates (UAE). The initiative is coordinated by the Churches, Charities and Local Authorities (CCLA) and supported by a total of 38 investors representing

USD 3 trillion in assets under management. The United Arab Emirates is the destination for many migrant workers from the neighbouring region. When recruited, these migrants are frequently misled about the work to be done and its conditions. In order to get a job, they often have to pay high fees for which they have to take out loans. The fact that these workers often do not receive any remuneration during the first months of their employment and instead have to pay often excessive fees, pushes them further into debt. The COVID-19 pandemic has further worsened the situation of migrant workers, as in addition to receiving low wages, they work long hours and live in cramped dormitories where the virus spreads easily. By the end of 2020, almost half of the 54 companies targeted had provided detailed information on their human rights due diligence, so the commitment in 2021 focused on monitoring obligations.

S.11. Forced labour in the supply chains of European technology companies

In September 2020, the EEP International launched a new engagement campaign to address and prevent forced labour in the supply chains of European technology companies. Forced labour refers to situations where people are forced to work through violence, intimidation, or more subtle means such as manipulated debts, withholding of identity papers or threats to report to immigration authorities. According to information from the International Labour Organisation (ILO), approximately 25 million people worldwide work in forced labour conditions. Forced labour is among the most serious human rights risks in corporate value chains. As the supply chains of technology companies are long, complex and often located in countries with high risks of forced labour, such as China or Malaysia, these companies are particularly exposed to risks related to forced labour. In the framework of this campaign, six European technology companies are targeted for a dialogue that focuses on the following aspects: engagement and governance, traceability and risk assessment, procurement practices, recruitment, consideration of workers' perspectives, monitoring, remediation. By the end of 2021, a series of conference calls have been held with all targeted companies and some improvements have already been made, such as supply chain transparency, a complaint mechanism or a company joining an industry coalition to minimise forced labour risks.

S.12. Investor action to help stranded seafarers

In December 2020, the EEP International and a group of institutional investors signed a statement drawing attention to the plight of more than 400,000 seafarers stranded at sea due to the COVID-19 pandemic. The

investor statement, coordinated by Fidelity International, was signed by more than 85 investors, representing USD 2 trillion in assets under management, and sent to the UN Secretary General. The COVID-19 pandemic is resulting in severe domestic and international travel restrictions that limit the ability of current merchant ship crews to disembark and return home. Many seafarers are exhausted, as they are already working beyond the end of their fixed-term contracts. Replacement crews are also affected as they have to stay ashore and wait to replace their colleagues on board. Amongst other things, the statement calls on the UN to take swift action because of the considerable potential problems for the health and safety of seafarers and the environment. It is only a matter of time before a maritime accident occurs, for example when exhausted personnel handle containers. The letter demands, among other things, official recognition of these people as "key workers" (as in the aviation sector). It also calls for rapid access to vaccinations against COVID-19 for this occupational group. As shipping accounts for 90% of global trade, ensuring its safety is paramount to the successful management of the COVID-19 pandemic crisis in order to avoid shortages and supply failures. As the situation for seafarers improved, this initiative was closed at the end of 2021.

S.13. Investor Engagement Group - Xinjiang Uyghur Autonomous Region

In December 2020, the EEP International joined a group of international investors addressing the issue of XUAR. As part of this initiative, more than 40 letters were sent to companies in the first quarter of 2021 asking them to address the risks of forced labour in the Xinjiang Uyghur Autonomous Region of China. An estimated 1.8 million Uyghurs, as well as other ethnic Turks and Muslims, are in internment camps, prisons and factories inside and outside the Xinjiang region. An important source of information is the report "Uyghurs for Sale", published in March 2020 by the Australian Strategic Policy Institute (ASPI). The report not only confirms the widespread use of forced labour and mass surveillance of people living in or from Xinjiang, but also identifies a large number of internationally renowned technology, garment and automotive companies involved in these systematic human rights abuses. The initiative is coordinated by the Interfaith Center for Corporate Responsibility (ICCR) and Rathbones Investment Management. Within the investor group, Ethos is responsible for the direct dialogue with two companies. These companies were open to dialogue and explained their steps to exclude forced labour in their supply chains. One of them has also signed the call to action coordinated by a group of NGOs, which meets the main requirements of the commitment.

S.14. Letters asking UK companies to report in accordance with the Modern Slavery Act

In March 2021, the EEP International and a group of institutional investors, coordinated by asset manager Rathbones, sent letters to companies listed on the FTSE 350 Index that were not complying with Section 54 of the UK Modern Slavery Act. Section 54 requires a public statement on duty of care and measures against modern slavery and human trafficking. This statement must be approved by the Board of Directors and updated annually. By the end of December 2021, 59 of the 61 targeted companies had complied with the requirements of the Modern Slavery Act. The letters were signed by 97 investors representing CHF 9,749 billion in assets under management.

S.15. Investor declaration for staff in health care institutions

The EEP International and a group of institutional investors launched an investor declaration in April 2021 to improve working standards and quality of care in care homes. UNI Global Union is coordinating the initiative, which has been signed by 95 institutional investors representing USD 3,300 billion in assets under management. The commitment targets more than 50 publicly traded nursing home companies.

S.16. Investor statement on facial recognition technology

The EEP International and a group of investors participated in November 2021 in an investor initiative coordinated by asset manager Candriam. The Investor Statement for Responsible and Human Rights Friendly Facial Recognition Technology was sent to over 25 companies. The EEP International is responsible for the dialogue with one company.

S.17. Investor letter on conflict minerals in the semiconductor supply chain

In November 2021, the EEP International and a group of institutional investors sent letters to more than 25 information and communication technology companies asking them to introduce responsible mineral sourcing practices into the semiconductor supply chain. Stewart Investors is coordinating this initiative, which has been signed by 160 investors representing USD 6,590 billion in assets under management.

S.18. Investor engagement on paid sick leave in US companies

In December 2021, EEP International and a group of institutional investors launched a new initiative coordinated by the Interfaith Center on Corporate Responsibility (ICCR). Letters will be sent in early 2022 to 45 companies asking them to be more transparent about paid sick leave. The initiative is supported by 150 investors representing USD 3,600 billion in assets under management.

4.3. Corporate governance

G.1. Letter to managers to encourage voting at general meetings

In 2021, Ethos proposed to the EEP International members to engage directly with their managers to ask how the latter exercise the voting rights of the shares in their portfolio. Ethos prepared a template letter that the EEP International members could send directly to their managers asking them to support certain shareholder resolutions presented at the annual general meetings of US companies active in high-carbon sectors. For example, these resolutions call on companies to present a financial plan for a 2°C global warming scenario or to set ambitious greenhouse gas reduction targets. The letter also asks the managers for more details on how voting rights are exercised.

G.2. Tax liability of US companies

In November 2019, the EEP International launched its own engagement campaign to encourage selected US technology and restaurant companies to adopt responsible tax practices. As part of this engagement campaign, five demands were made: Responsibility for tax strategy rests with the board of directors, the principles of tax responsibility are incorporated into a specific publicly available policy, the company pays its taxes where economic value is generated, intra-group transactions are conducted on market terms, and the company discloses the amount of taxes paid, country by country. At the beginning of the engagement campaign, an introductory letter was sent to the chairmen of the boards of the respective companies. These letters were signed by members of the EEP International and members of the Shareholders for Change (SfC) network. Since the start of the engagement campaign, dialogue has been established with all companies and the expectations of the EEP International and the views of the companies have been discussed.

G.3. Letter to SEC regarding proposed changes to shareholder resolutions and proxy voting companies

In February 2020, the EEP International and a group of more than 190 institutional investors with over USD 11'500 billion in assets under management sent a letter to the US Securities and Exchange Commission (SEC). The SEC had proposed changes to the provisions governing the filing of shareholder resolutions. Among other things, the SEC proposed to significantly increase the threshold of equity ownership required to file a resolution and the percentage of affirmative votes that a resolution had to achieve in order to be re-filed the following year. Despite this letter, most of the proposed changes were adopted. The rights of shareholders were thus restricted: it will in future not only be more difficult to table resolutions but also to maintain them. This initiative was coordinated by the Principles for Responsible Investment (PRI) and will end in 2021. Following the change in the political majority in the US and the new chairman of the SEC, it is hoped that the changes targeted by the initiative will be at least partially reversed.

G.4. Coalition for a Responsible Exxon

The EEP International and a group of institutional investors, coordinated by the As You Sow Foundation, sent a letter to ExxonMobil's Board of Directors in early 2021. The letter, signed by 138 investors representing USD 22.7 trillion in assets under management, expressed disappointment with the company's negative role in the energy transition. It also called on the board of directors to transform ExxonMobil into a responsible and successful energy company. As a result of this letter, a campaign was launched to give more weight to these demands and to elect new board members at the general meeting. Against the wishes of the current leadership, three board members were removed at the General Assembly and replaced by three new, more progressive members.



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