



Ethos Study

Corporate digital responsibility of
SMI Expanded Index companies

The **Ethos Foundation** is composed of more than 230 Swiss 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 management and advisory services in the field of socially responsible investments. Ethos Services offers socially responsible investment funds, analyses of shareholders' 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.

Certified



Corporation

www.ethosfund.ch

This study was conducted in collaboration with [EthicsGrade](#).

Table of contents

1. Introduction	2
2. Main results.....	3
3. Detailed results by principle.....	5
Part 1: Digital governance	5
Part 2: Digital transparency	7
Part 3: Data Protection.....	9
Part 4: Artificial Intelligence.....	11
Part 5: Sensitive Activities	13
Part 6: Social Impact	15
Part 7: Environmental Impact.....	17
4. Conclusion	19
Next steps and dialogue	19
5. Methodology	20
6. List of companies analysed.....	21

1. Introduction

Without adequate governance and a responsible approach, digitalisation is one of the major societal challenges of our time, along with climate change and increasing inequality. While it offers considerable potential for economic development - whether in terms of productivity gains or accessibility to information and certain services - it also represents major risks for companies and their stakeholders, including their shareholders. The increasing number of cyber-attacks and data thefts that many companies and public institutions in Switzerland have had to face in recent months are concrete examples of the issues of digital responsibility. But one might also mention the problems linked to the processing of personal data, the robotisation of the economy as well as the new ethical, legal, social, ecological, and financial concerns that have emerged in recent years. And let's not forget the reputational risks for any company that is a victim of cybercrime or that misuses the personal data of its customers, users or staff.

Aware of the impact of digitalisation on the economy and civil society in general, as well as the challenges it poses for companies, the Ethos Foundation has decided to include digital responsibility among the environmental, social and governance (ESG) issues that are systematically discussed with Swiss companies in the framework of its shareholder dialogue programme - the Ethos Engagement Pool (EEP) Switzerland.

In December 2020, the Ethos Foundation published an "Engagement Paper" listing the various challenges of digitisation for companies and setting out a list of seven expectations in terms of digital responsibility (see opposite). This document was then sent to the chairmen and chairwomen of the boards of directors of SMI Expanded companies to urge them to manage all the issues related to the digital transition in a serious and responsible manner, but also to be more transparent in this area and to adopt a specific digital responsibility code.

At the same time, it was decided to carry out a study to measure the degree of preparedness of Swiss companies to face these challenges and, more specifically, to assess the extent to which they already meet, or do not meet, Ethos' seven expectations in terms of digital responsibility. This study was conducted between July and September 2021 in collaboration with EthicsGrade, a UK-headquartered company

specialised in rating companies on their management of digital issues and artificial intelligence in particular.

Ethos' Seven Principles on Digital Responsibility

1. Establish a digital responsibility code
2. Ensure transparency with stakeholders on digital practices and footprint
3. Comply with the highest standards of data processing and data protection
4. Establish ethical principles for the use of artificial intelligence (AI)
5. Exclude sensitive activities related to digitalisation
6. Ensure a fair and responsible social transition
7. Help reduce the environmental footprint of digital technology

48

Companies analysed

12

Participants in the questionnaire

[Link to the Engagement Paper](#)

[Link to detailed results](#)

2. Main results

Of the 48 companies included in this study, only 12 responded to the questionnaire sent to them (see methodology, point 5). Their responses constitute the "Company responses" in the illustrations of this study. For the other 36 SMI Expanded companies, the evaluation is based solely on public data and information ("Public information" in the illustrations of this study).

This low level of participation can be explained in particular by the exhaustive nature of the questionnaire, which requires time and commitment, but also by the fact that the information required to answer the survey is often dispersed within the company and is therefore difficult to centralise. In any case, it is reflected in the relatively low final scores, with a maximum of only 39.6 points out of a possible 100 points for Baloise Insurance and an average of 10.5 points for the 48 companies in the SMI Expanded.

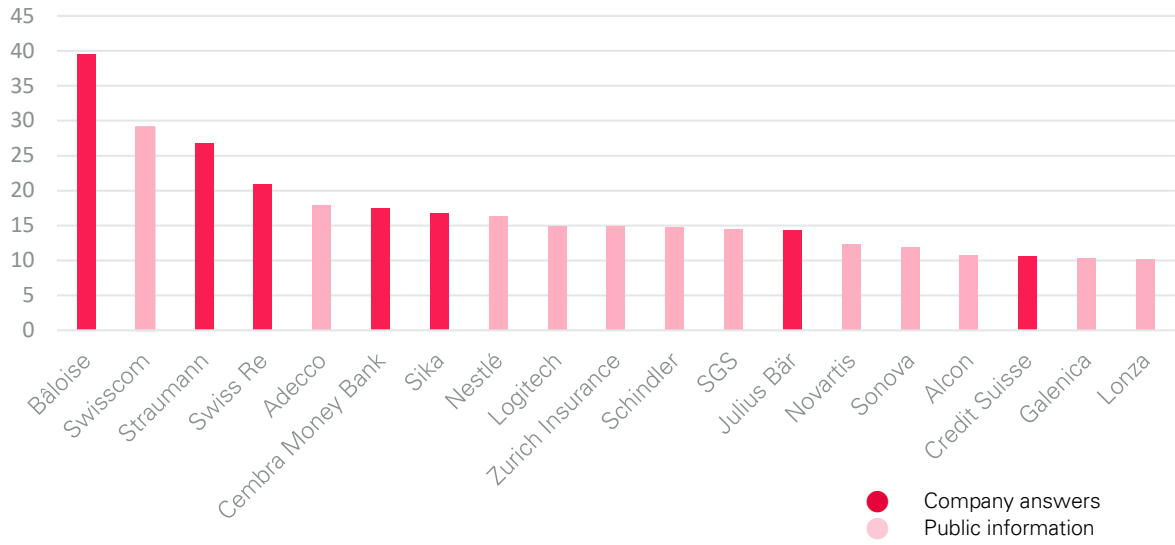
Another finding, which is also reflected in the final scores, is the lack of transparency of companies regarding digital responsibility. For example, 68 questions were not answered in the affirmative, even by the companies that responded to the questionnaire. For the vast majority of questions, the answer "no information available" dominates, demonstrating that companies have either not yet taken these issues into consideration in their operations and governance, or that they simply do not yet communicate publicly about them.

One of the consequences of this lack of transparency is that companies that took the time to respond to the study were very often able to improve their initial score. It is therefore not surprising that among the seven companies that obtained the best final score, five answered the questionnaire (see graph next page). The average score was 15.4 points for the 12 companies that took part, compared with only 8.9 points for the 36 others.

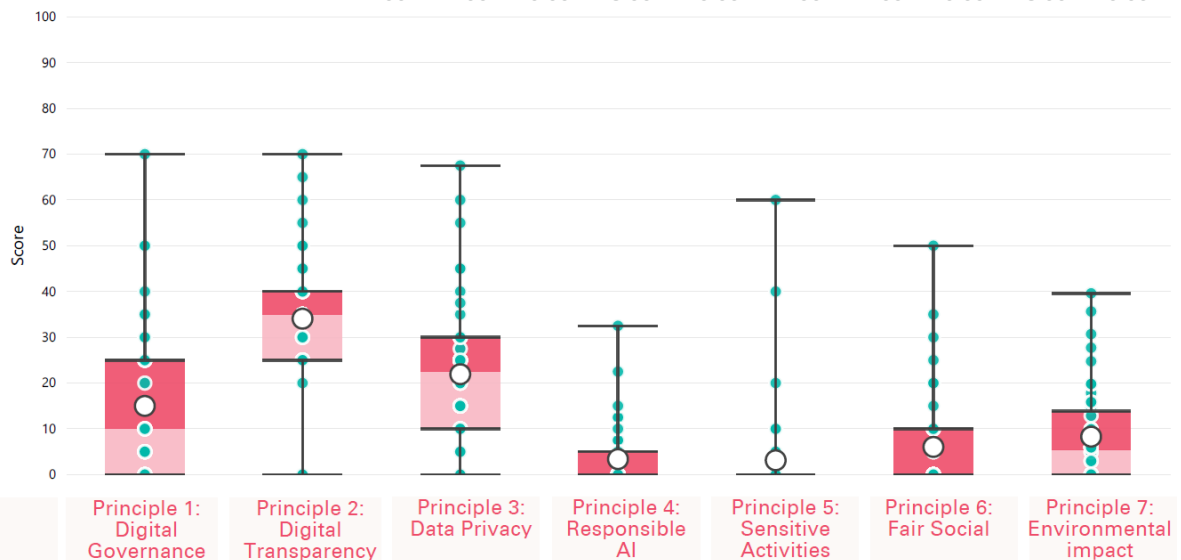
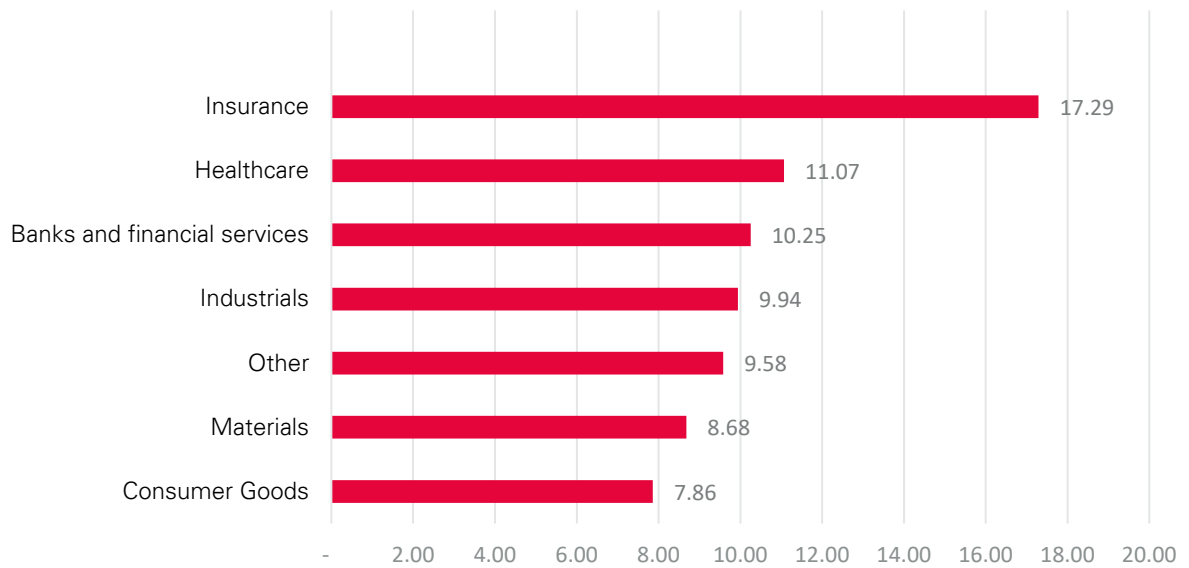
Disparities are also noticeable between the different industries represented in the SMI Expanded (see graph next page). The insurance sector is the one that seems to be the most advanced on digital responsibility issues, especially in the parts concerning governance and sensitive activities. The average for insurance and reinsurance is 17.3 points. The banking and healthcare sectors, which are also particularly concerned by these issues, are still lagging behind with averages of 10.3 and 11.1 points respectively.

Finally, companies seem to be more advanced on issues related to transparency (with an average of 34.1 points) and data protection (21.9 points) than on issues related to artificial intelligence (3.4 points), so-called sensitive activities (3.1 points), as well as the social (6.04 points) and environmental impact of digitalisation (8.3 points).

Top 20 SMI Expanded companies



Average by industry (out of 100 points)



3. Detailed results by principle

The questionnaire and the analysis of the companies' practices were divided into seven parts, one for each of the principles stated by Ethos in terms of digital responsibility.

Part 1: Digital governance

The first part concerns digital governance. Given the disruptive nature of new technologies and their rapid evolution, the board of directors must ensure that the company invests sufficiently in this topic while respecting the highest ethical, environmental, and social standards in this area. Given the complexity of the subject, the board of directors must also ensure that it has the necessary knowledge and understanding of the issues related to the digitisation of the economy. Finally, it must ensure that senior management manages these issues seriously and implements policies and procedures that comply with best practices in this area.

For Ethos, good governance starts with the establishment of a code of digital responsibility. The existence of such a code is indeed essential to ensure that the company takes into account the many issues related to digitisation in its strategy and day-to-day activities. The way in which these issues are managed must be foreseen and stipulated in the code. This should also be the case for issues and risks related to cybersecurity, privacy and data protection as well as ethical rules in the use of artificial intelligence.

As of September 2021, only one SMI Expanded company, namely Baloise, had a digital responsibility code, although it is not publicly available. However, it is to be expected that the number of codes will increase significantly over the next few years, as issues relating to digitisation are becoming more and more important for companies.

Another criterion for assessing governance is the appointment of a Chief Digital Officer. This person should not only ensure the implementation of the digital responsibility code and its compliance but should also report directly to the company's top management. However, it turns out that we can confirm the presence of a Chief Digital Officer in only 18 of the 48 companies targeted. This information was public for 14 of them, while four companies specified it in their answers to the survey.

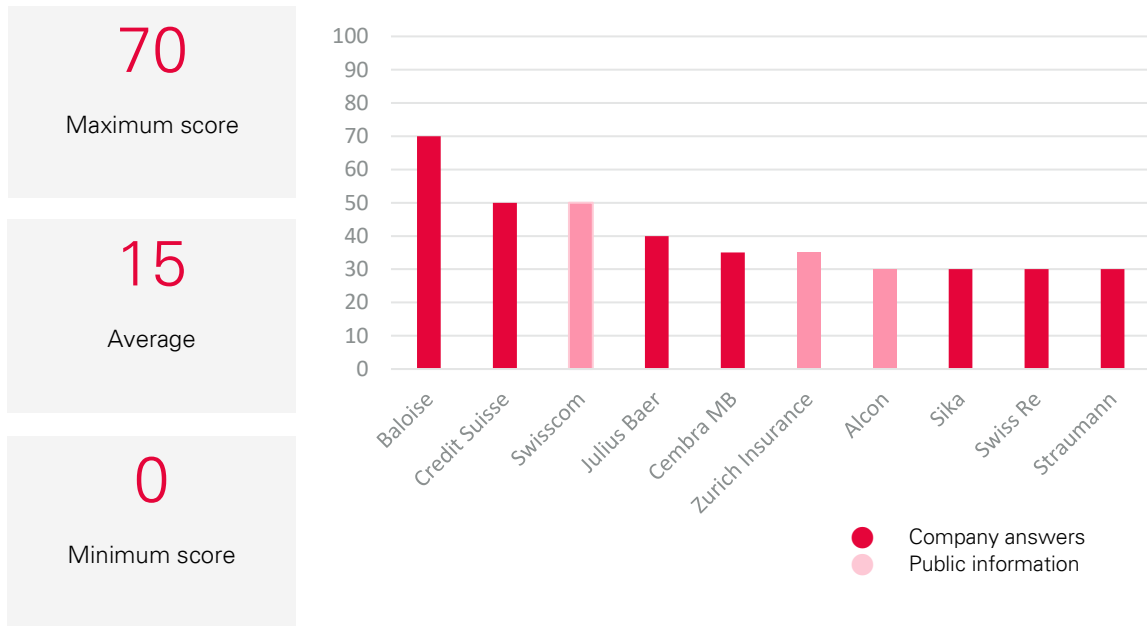
It was also necessary to verify the existence of a clear cybersecurity strategy and the presence of a Chief Information Security Officer. While financial

companies and those that collect and store large amounts of data are the most obvious targets, all companies today can fall victim to embezzlement, data encryption for ransom, breaches of payment systems or the destruction of key databases and computer programs. However, the study shows that only 16 companies in the SMI Expanded report having a strategy to combat cybercrime. The banking and insurance sector appears to be the most prepared, with two-thirds of the companies surveyed claiming to have such a strategy in place. The presence of a Chief Information Security Officer was confirmed for 22 of the 48 companies analysed, including six of the nine banks and insurance companies.

Finally, companies were asked whether they had established ethical principles regarding the use of artificial intelligence and, in particular, whether compliance with these principles was a precondition for the development of any new technology. Two companies answered in the affirmative (Credit Suisse and Swiss Re) while for a third (Novartis) the information was public.

Finally, the average is only 15 points for this chapter with a best score of 70 points for Baloise and two companies that obtain results close to 50 points (Credit Suisse and Swisscom). It should also be noted that six financial companies are ranked among the top ten.

Principle 1: Digital governance



1
Company has a digital responsibility code.

33%
Of the companies are reporting that they have a cybersecurity strategy in place.

3
Companies say they have ethical principles in place for AI.

Key questions	Yes	No	Other*
Do you have a digital responsibility code?	1	3	44
Has a Chief Digital Officer position been created?	18	1	29
Has a cyber security strategy been developed?	16	0	32
Has a Chief Information Security Officer position been created?	22	0	26
Have any ethical principles related to the use of artificial intelligence been laid down?	3	2	43

* No public information, the company prefers not to answer, the company considers that this issue does not concern it, or the company wishes to discuss it in more detail but in any event this has not yet been established.

Part 2: Digital transparency

Today, companies must inform their stakeholders (customers, employees, suppliers, etc.) of the personal data they collect in the course of their activities. The data stored should also be obtained through free and informed consent from these persons ("Opt In"). Although this transparency is essential, it is by far not yet widespread. Users are not always aware of the storage and use of their data.

However, the study shows that 90% of SMI Expanded companies now have a data privacy policy that is easily accessible on their website. For the remaining ten percent, this information is not publicly available.

Some private data can be very valuable. It is therefore essential that companies implement the highest security standards to prevent data from being sold, leaked or stolen. If, in spite of everything, some data could be exploited by an unauthorised third party, companies must commit themselves to quickly informing the authorities but also all the persons concerned so that they can take steps to avoid being a victim of an abusive use of their personal data (fraud, ransomware, use of passwords, credit cards, profiling, etc.)

In this respect, ten companies state that they have a clear procedure to follow in the event of a data breach, and particularly to inform the parties concerned. For seven of them, this information is publicly available. In addition, four companies (Adecco, Logitech, OC Oerlikon Corporation and Sika) have been transparent on their website regarding the identification of a data breach.

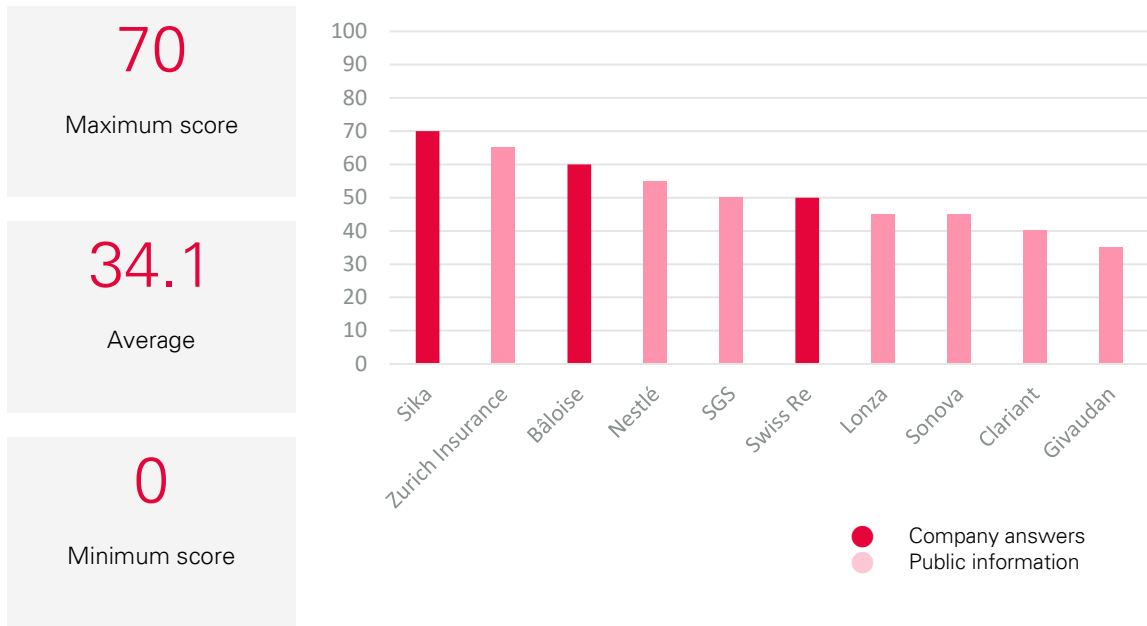
Digital transparency also requires that the increasing use of artificial intelligence be clearly explained by companies. Their customers, as well as civil society in general, now expect them to be transparent not only about the artificial intelligence they develop and use, but also about how they use it. This transparency concerns many areas, such as human resources, customer services, medical diagnostics, credit or insurance allocation or the selection of service providers. However, the study shows that only four companies (Helvetia Group, Novartis, Sonova and Zurich Insurance) clearly indicate when they use artificial intelligence systems, either in their decision-making processes, such as when recruiting online, or in their products and services, for example when interacting with a chatbot on a website.

Finally, none of the 48 SMI Expanded companies currently publicly disclose the location of their data storage facilities. This information would make it possible to know if the data is stored in a

country that could exploit it without the knowledge of the company and its users as well as giving a sense as to the carbon footprint of their IT estate.

The average score was 34 points for the transparency section, with Sika scoring the highest at 70 points, just ahead of Zurich Insurance and Bâloise. Here too, three of the top six companies responded to the questionnaire.

Principle 2: Digital transparency



4
 Companies make it clear when they use AI.

21%
 Of the companies say they have procedures in place in case of data theft.

0
 Company discloses the location of its data storage facilities.

Key questions	Yes	No	Other*
Are there procedures in place to deal with data leaks?	10	0	38
Is it clearly stated when you use artificial intelligence?	4	3	41
Is the privacy policy easily accessible?	43	0	5
In the event of a data breach, does the company communicate publicly on its website?	4	1	43

* No public information, the company prefers not to answer, the company considers that this issue does not concern it, or the company wishes to discuss it in more detail but in any event this has not yet been established.

Part 3: Data Protection

The third section deals with data protection, including the policies companies have in place to protect their customers' data. The companies' responses and the research conducted by EthicsGrade show that only five of the 48 companies surveyed report having an ethical framework in place for data processing. However, 17 companies report that they consider the risks and negative consequences that could result from the misuse of personal data.

The exploitation of data is not in itself necessarily a bad thing – for it has allowed some companies to develop new business models and leads to a personalisation of services that can be beneficial for users. However, this said it is important to be conscious of the existent risks to the detriment of the privacy of certain data. Therefore, Ethos considers that the personalisation of services based on the use of personal data should be a choice and not the default option of an IT system. This is called "Privacy by Default". Devices and services that use personal data should also be designed to respect privacy and not automatically exploit the data. This concept is called "Privacy by Design" and is one of the key elements of the European Union's General Data Protection Regulation (GDPR) that came into force in 2018.

However, only 19 of the 48 companies in the SMI Expanded ensure that they only collect their customers' data after obtaining their free and informed consent. Only 20 of these companies clearly inform their users – in an e-mail, for example – of the procedure for requesting the deletion and non-use of personal data. Three companies (Credit Suisse, Nestlé and Straumann) claim to go further and design their data-using devices and services in such a way that they respect privacy by default and cannot automatically exploit data.

Finally, the study addressed the issue of data minimisation, which means that to respect privacy, data processing systems should be designed with the goal of processing as little data as possible. This principle of minimisation implies implementing privacy-friendly default settings, limiting access to personal information to that which is strictly necessary to provide the desired service, and putting in place tools that allow users to better protect their personal data (access control, encryption, etc.). The results of the study show that only seven companies have implemented or claim to have implemented "Privacy Enhancing Technologies". On the other hand, 28 out of 48 companies stated that the default choice of their IT systems is to minimise data and to use only the "cookies" that are strictly necessary to operate the website.

While overall the companies seem to have taken the necessary measures in the area of data protection, only three companies transparently confirm that data protection is integrated into the design of IT tools ("Privacy by Design"), even though this is a key element of the EU's GDPR. Again, it is not possible to determine whether this is due to a lack of transparency or whether this good practice has not yet been integrated into the policies of Swiss companies.

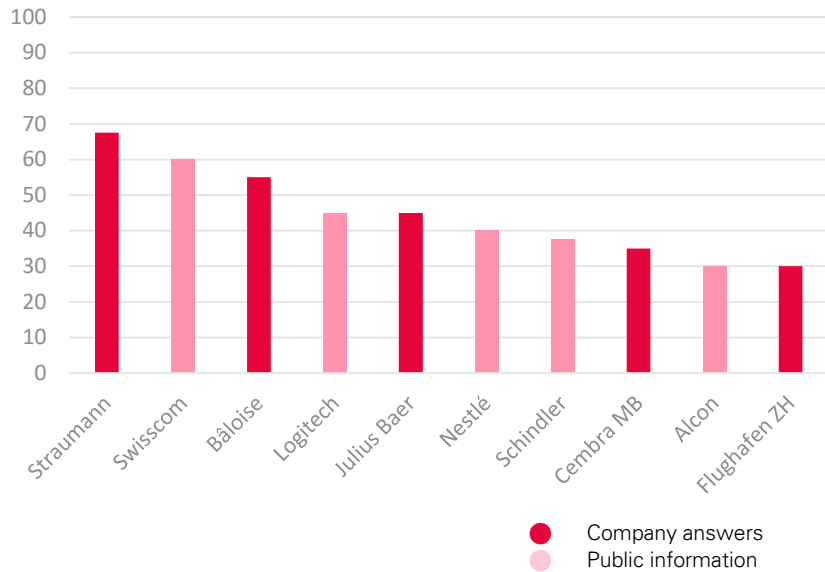
The average score for this chapter is 22 points, with a maximum of 67.5 points for Straumann. It should be noted that eight companies that actively participated in the questionnaire are ranked in the top 15.

Principle 3: Data Protection

67.5
Maximum score

21.9
Average

0
Minimum score



3
Companies ensure that they take a privacy by design approach.

35%
Of the companies claim to take into account the risks associated with misuse of data.

5
Companies say they have an ethical framework in place for data processing.

Key questions	Yes	No	Other*
Do you have an ethical framework for data management?	5	2	41
Are the risks and negative consequences of using the data considered?	17	0	31
Is data collected only after obtaining free and informed consent ("Privacy by default")?	20	0	28
Is there an option to request that the data not be used?	20	0	28
Is the default choice to minimise data collection?	24	4	20
Is data protection taken into account at the design stage ("Privacy by Design")?	3	0	45

* No public information, the company prefers not to answer, the company considers that this issue does not concern it, or the company wishes to discuss it in more detail but in any event this has not yet been established.

Part 4: Artificial Intelligence

EthicsGrade's research shows that 35 of the 48 companies in the SMI Expanded use artificial intelligence in some way in their operations. As mentioned earlier, however, only four of them clearly and publicly state this (see Part 2). A responsible and reasoned use of this artificial intelligence is however one of the major issues of the digital responsibility of companies. For while it can be very useful in certain sectors such as health and the environment, the potential impact of algorithms on our daily lives (e.g., autonomous cars, facial recognition, voice assistants) also leaves room for a broad and wide-ranging debate on the responsibility and ethics associated with these new technologies.

However, the study shows that none of the 48 companies surveyed has so far indicated that they have set up a working group or research group specifically dedicated to the issue of ethics in artificial intelligence. None of them also indicated that they had submitted a hypothetical ethical framework for the use of artificial intelligence to a third party outside the company for review.

For Ethos, the use of artificial intelligence can and should be a central element of the human response to today's major challenges, be it climate change, biodiversity loss, health or social inequalities. However, only two companies (Swiss Re and Novartis) clearly guarantee – in their public documents or through their answers to the questionnaire – that their systems based on artificial intelligence have been developed with the sole aim of having a positive social impact.

The operation of systems based on the use of artificial intelligence is often opaque. Decisions made with the help of artificial intelligence can also be subject to significant moral and ethical dilemmas. The traceability of the decision-making mechanism is therefore essential to ensure that decisions made with the help of artificial intelligence are free of ethnic, gender or any other kind of bias ("Unbiased AI"). This neutrality must be the basis for the design of computer programs that can lead to autonomous decision-making mechanisms. If it cannot be guaranteed, then the implementation of such software should not be possible.

Of the 48 companies analysed, only three (Bâloise, Nestlé and Zurich Insurance) state in public documents that they have put in place measures to eliminate any bias or prejudice in the processing of the data collected. Only three companies (Bâloise, Novartis and Zurich Insurance) claim to have such measures in place to avoid bias in their artificial intelligence systems. Only one company, Novartis, describes how it

ensures equal treatment and minimises bias when using artificial intelligence.

While the issue of equal treatment and impartiality is crucial, it does not necessarily resolve all the moral dilemmas posed by the use of artificial intelligence. It is also vital that human intervention remains possible at all times, that machines retain their status as tools, and that individuals retain control and responsibility for the machines at all times. Here too, companies are currently not very transparent in this respect. Only Schindler now clearly and publicly states that it is possible to replace an automated process with a "manual mode" at any time, i.e., that emergency measures exist to suspend or stop a decision made with the help of artificial intelligence.

More generally, only three companies (Adecco, Bâloise and Novartis) indicate that they consider machines and artificial intelligence to be mere tools that must remain under the control of humans who are responsible for them at all times.

The average score for this dedicated chapter is only 3.4 points, which demonstrates the lack of transparency on the part of listed companies in Switzerland on a crucial subject. Novartis obtains the best score with 32.5 points, ahead of Bâloise and Zurich Insurance. It should be noted that only 19 out of 48 companies scored any points for this section.

Principle 4: Artificial Intelligence

32.5

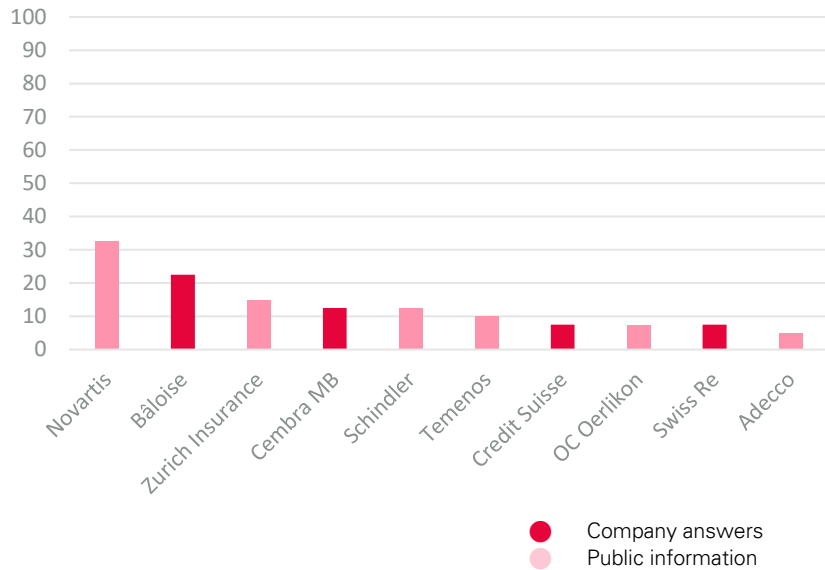
Maximum score

3.4

Average

0

Minimum score



3

Companies claim to mitigate bias when using AI.

73%

Of the SMI Expanded companies report using artificial intelligence.

1

Company says it has measures in place to prevent any inequality that would result from AI.

Key questions	Yes	No	Other
Do you have a research group dedicated to ethics in artificial intelligence?	0	5	43
Have measures been put in place to limit bias in data processing?	3	2	43
Are there safeguards in place to prevent unequal treatment resulting from the use of AI?	1	2	45
Are there measures in place to limit bias in the use of AI?	3	1	44
Is it possible to replace an automated process with a "manual mode" at any time?	1	2	45
Do you see artificial intelligence as a tool that humans need to keep control of at all times?	3	1	44

* No public information, the company prefers not to answer, the company considers that this issue does not concern it, or the company wishes to discuss it in more detail but in any event this has not yet been established.

Part 5: Sensitive Activities

The rapid development of new technologies is also raising new ethical questions about their purposes and use. These include surveillance by facial recognition, the use of autonomous weapons, the promotion of sensitive or prohibited content, and even activities aimed at influencing human behaviour in a covert manner.

For this part of the questionnaire, companies were asked whether they always ensure that the data they collect in the course of their business is not used for surveillance purposes. Only three companies answered in the affirmative: Bâloise, Cembra Money Bank and Straumann.

Second, they were asked whether they explicitly prohibited themselves from conducting any activity related to artificial intelligence that:

- a. Would violate human rights
- b. Would limit freedom of expression
- c. Would have the objective of creating addictions
- d. Would be used in autonomous weapons
- e. Would allow market manipulation

Here again, only three companies (Bâloise, Credit Suisse and Swiss Re) answered in the affirmative and confirmed that they currently prohibit any use of artificial intelligence in connection with one or more of these points. While it is likely that few companies listed in Switzerland use artificial intelligence for ethically reprehensible purposes, Ethos regrets that not more of them have publicly stated that they *de facto* prohibit it.

Finally, the 48 companies were asked whether they prohibit any activity using artificial intelligence that could be used to disseminate sensitive, racist, sexist or illegal content or allow access to content and activities inappropriate for minors. Again, only Bâloise and Swiss Re confirmed that they have policies in place to prevent such practices.

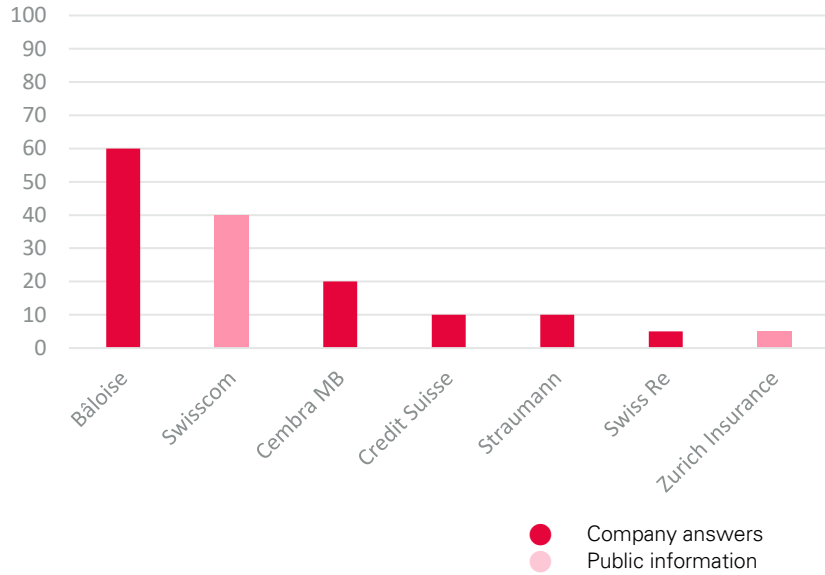
Finally, the section on sensitive activities received the lowest score, with an average of only 3.1 points. Only seven companies received points, with the maximum of 60 points being for Bâloise.

Principle 5: Sensitive Activities

60
Maximum score

3.1
Average

0
Minimum score



1
Company ensures that AI is banned as a means of limiting freedom of expression.

3
Companies say they do not want to use AI for surveillance purposes.

2
Companies say they will not use AI to broadcast sensitive content.

Key questions	Yes	No	Other*
Does the company ensure that the data is not used for surveillance purposes?	3	0	45
Does the company formally prohibit itself from any AI-related activity that might:			
• Lead to human rights violations?	3	2	43
• Serve to limit freedom of expression?	1	2	45
• Be used to build or use autonomous weapons?	0	2	46
• Allow the distribution of sexist, racist or inappropriate content for minors?	2	2	44

* No public information, the company prefers not to answer, the company considers that this issue does not concern it, or the company wishes to discuss it in more detail but in any event this has not yet been established.

Part 6: Social Impact

The sixth part of the questionnaire focuses on the social impact of the digital transition, and more specifically on the impact that technological developments may have on current employment and social models. With the development of artificial intelligence and the emergence of new business models, jobs will change and certain tasks are bound to disappear. Although companies and shareholders can benefit from this digital revolution, particularly through increased productivity, the financial gains could be limited in the short term if the transition is carried out irresponsibly. The pension system, for example, could be undermined if the number of working people were to fall sharply in a particular jurisdiction or if the development of the service economy ("gig economy") were to transform a large number of employees into self-employed workers ("Uberisation").

Ethos therefore sought to find out how prepared companies are for such a revolution. According to EthicsGrade's research and the companies' responses to the questionnaire, only three of the 48 companies (Adecco, Clariant and Nestlé) have already assessed and publicly communicated what the impact of the digital transition might be on their business and, more specifically, on their workforce. None of them, on the other hand, indicated that they had already consulted independent experts to try to anticipate the future of employees – in terms of employability – and particularly of older employees whose tasks could be automated.

The discussion then turned to measures to mitigate the social impact of digitisation. Only one company (Swisscom) has publicly indicated that it would be willing to consider a reduction in working hours rather than a reduction in the number of employees in order to cope with the automation of certain tasks.

To ensure a just transition, it is essential that companies put in place retraining and education programs for employees directly threatened by automation and artificial intelligence. Again, only four companies (Adecco, Bâloise, Nestlé and Zurich Insurance) indicated that they provide professional development programs for their employees whose tasks could eventually be automated. Nine companies said they provide financial assistance to former employees to acquire and develop new skills.

With an average of only 6 points and a maximum score of 50 points attained by Adecco, this chapter is also among the worst rated, demonstrating that companies have not yet truly

acknowledged the impact that the digital transition could have on their employees.

Principle 6: Social Impact

50

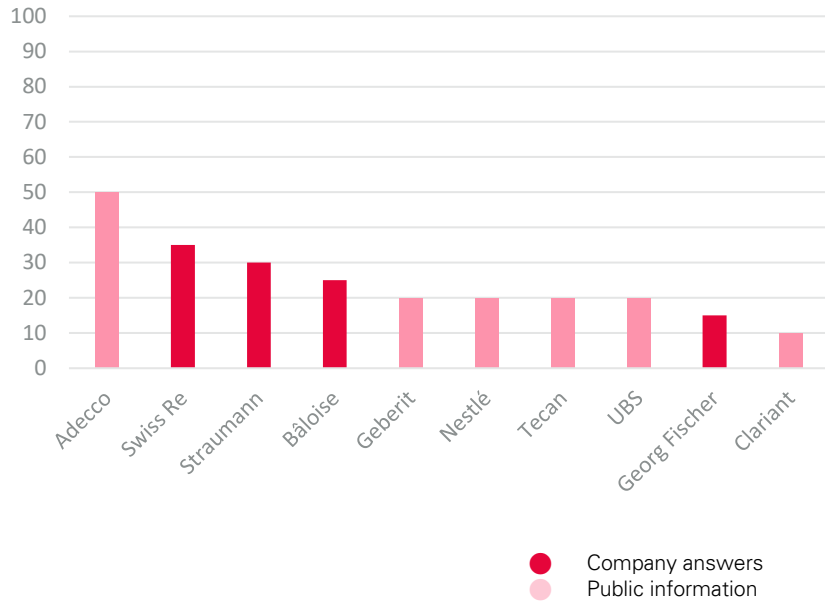
Maximum score

6

Average

0

Minimum score



3

Companies claim to have already assessed the social impact of the digital transition.

19%

Of the companies claim to provide financial assistance for the training of former employees.

1

Company considers reducing hours of work rather than the number of employees.

Key questions	Yes	No	Other
Have you already assessed and communicated the impact that the digital transition could have on your workforce?	3	5	40
Have external consultants ever been contacted to assess the employability of former employees whose tasks have been automated?	0	3	45
Does the company plan to eventually reduce hours rather than the number of employees?	1	0	47
Is there any financial support for former employees to develop their skills?	9	5	34
Are there training and retraining programs for employees whose jobs are threatened by automation?	4	1	43

* No public information, the company prefers not to answer, the company considers that this issue does not concern it, or the company wishes to discuss it in more detail but in any event this has not yet been established.

Part 7: Environmental Impact

The seventh and final part of the questionnaire concerns the environmental impact of the digital transition, starting with its carbon footprint. At a time when our society must drastically reduce its greenhouse gas emissions in an attempt to limit global warming, this issue is more relevant than ever.

However, given the unbridled growth in the use of smart devices, computer networks and the data-driven economy, the environmental footprint of digitisation is likely to increase significantly in the coming years. The large-scale use of complex algorithms also implies ever-increasing computing power and, consequently, exponential energy consumption. It is therefore vital that companies, those who buy their products and governments act quickly to limit the environmental footprint of the digital transition.

Only four of the companies surveyed (ABB, Givaudan, Lonza and Sika) indicated that they have measures in place to minimise their consumption of water used for cooling technology devices. Four companies (ABB, Cembra Money Bank, SGS and Sika) also indicated that their data centres are located in low-carbon locations in order to minimise their environmental footprint.

With respect to the energy used to run algorithms, only one company (SGS) publicly states that it seeks to reduce its energy consumption through code optimisation. To date, no company has specifically stated whether engineering teams are responsible for monitoring the energy consumption of the algorithmic models used, nor whether the carbon footprint of their technology parks, and specifically their algorithmic models, is accurately measured.

When it comes to choosing computer equipment, four companies say that long-term energy performance is a purchasing criterion. EthicsGrade's survey identified four additional companies that take energy performance into account. Three companies (Flughafen Zurich, Straumann and Swiss Re) also indicated that the long-term reusability and repairability of IT equipment was a criterion for purchasing. Finally, the study shows that for at least five companies, the long-term recyclability of IT equipment is also a purchasing criterion.

Finally, of the 48 companies in the SMI Expanded, only 12 publish data and information on the environmental impact of digitisation, whether it be in relation to the recycling of IT hardware, the average life of their connected products, the energy consumed by IT systems or other relevant environmental indicators.

The average score for this chapter dedicated to the environmental impact of digitisation reaches only 8.3 points, with a maximum score of 39.6 points achieved by SGS.

Principle 7: Environmental Impact

39.6

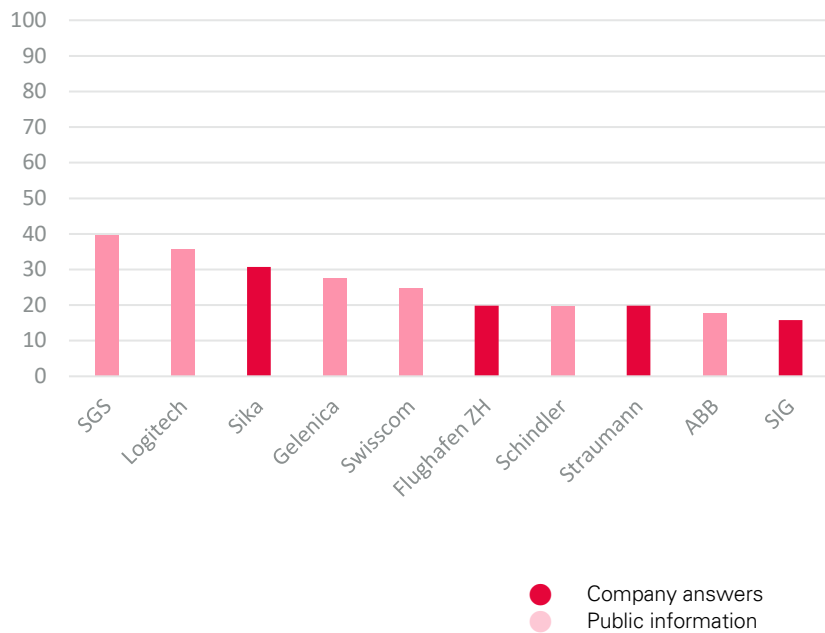
Maximum score

8.3

Average

0

Minimum score



4

Companies claim to minimise their use of water to cool computer equipment.

25%

Of the targeted companies are publishing data on the environmental impact of their digitalisation.

8

Companies ensure that energy performance is a purchasing criterion for computer equipment.

Key questions	Yes	No	Other*
Are efforts being made to reduce the water consumption associated with the cooling of computer equipment?	4	2	42
Are data centres hosted in low-carbon locations?	4	0	44
Does the purchase of computer equipment take into account:			
• Long-term energy performance?	8	1	39
• The possibility of repair?	3	1	44
• Recyclability?	5	2	41

* No public information, the company prefers not to answer, the company considers that this issue does not concern it, or the company wishes to discuss it in more detail but in any event this has not yet been established.

4. Conclusion

With cyber-attacks on the rise in 2021 and the topic of digitisation increasingly occupying civil society and legislators, this first study on the digital responsibility of the largest listed companies in Switzerland shows how far companies still have to go before they truly take into account the challenges associated with the digitisation of our economy. In fact, we are still in the infancy of true digital responsibility. Of the 48 companies included in the SMI Expanded, none of them currently meets more than 40% of Ethos' expectations. Worse, only four have exceeded 20 points out of a possible 100: Bâloise (39.6 points), Swisscom (29.1 points), Straumann (26.7 points) and Swiss Re (21 points).

According to EthicsGrade's experience, however, Swiss companies are broadly performing no better or worse than their international counterparts, which shows how the responses to these growing challenges are still in their infancy throughout the world. But it also shows the importance of the role that shareholders have to play in encouraging the companies of which they are co-owners to act, whether it be to better protect the private data they have to process, to ensure that they use artificial intelligence in a responsible manner or to reduce the social and environmental footprint of their technologies.

This shareholder influence is all the more important because the problem often seems to be a lack of transparency on the part of companies. In some cases, employees are not even informed about their company's digital responsibility practices. Transparency is a key element in the field of sustainability, as it allows companies not only to identify areas where they may be lacking, but also to benchmark themselves against each other and thus improve their practices.

As mentioned earlier, the rating of the companies that participated in the study was most often improved by the answers and clarifications they were able to provide in the questionnaire. In addition, as confirmed by one company in particular, their active participation and response to the survey enabled them to get the information from the source and identify specific areas for improvement. Several companies also said that they were planning to improve their transparency and centralise information, as is currently the case for other ESG criteria.

Another hope comes from the fact that EthicsGrade was able to identify good practices for almost every question that was given a weight

(see methodology, point 5). Unfortunately, these good practices are rarely found in the same companies. However, this demonstrates that they do exist and that there is room for significant improvement on the part of companies.

Next steps and dialogue

Finally, the objective of this first study on the digital responsibility of the largest listed companies in Switzerland was above all to draw up an inventory of current practices. It has already been planned to repeat this exercise in 2022 and 2023 in order to measure their evolution over time and to identify the points on which emphasis should be placed in the future. While EthicsGrade will continue to analyse the companies, Ethos will intensify its dialogue with Swiss listed companies in order to make them even more aware of the many issues related to the digitalisation of our economy. We also hope that more companies will be aware of these issues and of the need for transparency in this regard and will respond and actively participate in the questionnaire next year.

Ethos and EthicsGrade also learned a lot from the companies, so much so that it has already been decided to improve the questionnaire next year, and particularly better taking into account the materiality of the issues that may differ according to the types of companies and industries analysed.

5. Methodology

In 2021, the Ethos Foundation has added digital responsibility to the list of ESG issues to be systematically discussed with the management of Swiss companies as part of its dialogue activities. Given the novelty of the topic and the limited information published so far by companies, it was decided to focus on the 48 largest companies belonging to the SMI Expanded index to identify the current practices of these Swiss companies. The main objective was, and remains, to raise awareness among companies of the potential to improve their transparency and practices in the area of digital responsibility.

To carry out this study, the Ethos Foundation commissioned EthicsGrade, a UK-headquartered company specialised in rating companies on their management of digital issues in general and artificial intelligence in particular.

In July 2021, on behalf of Ethos and the members of EEP Switzerland, EthicsGrade sent a form with 283 questions to all those responsible for issues related to digitisation within these 48 companies. These questions were divided into seven chapters according to the principles set out by the Ethos Foundation in its Engagement Paper (see Introduction), with the aim of assessing how Swiss companies manage these different issues in light of Ethos' criteria and requirements.

At the same time, EthicsGrade's analyst teams analysed all company documents - be it websites, annual reports, sustainability reports, codes of conduct, etc. - so that they could answer the questionnaire themselves based solely on publicly available information.

As mentioned above, only 12 companies responded to the questionnaire. While some companies cited a lack of time or too many requests to participate in ESG studies, others did not respond with any particular justification.

The information collected by EthicsGrade ("Public information") and the answers provided directly by the companies ("Company answers") were then cross-checked and each question was assigned a response: "Yes", "Yes and the information is public", "No" and "Other".

Among these "other" responses, companies were given the option of indicating whether an issue was not relevant to their industry, whether they preferred not to disclose it, or whether they felt that an issue needed to be discussed in

greater detail. As a result, companies that actively participated in this study had the opportunity to identify practices, strategies or documents that are not currently public. Where a company took the time to respond to the questionnaire, their responses were taken into account.

Finally, a detailed evaluation of the practices for each of the seven principles identified by Ethos was carried out. For this purpose, 98 questions directly related to Ethos' requirements were given a certain weight. Each company was then given an overall score and a score by category, ranging from 0 to 100 points.

Ethos and EthicsGrade then contacted all companies to communicate their findings and allow them to complete certain points, highlight their work and share their ideas and plans for future digital developments. Companies that actively participated in the survey received a detailed report and a summary scorecard that allowed them to benchmark themselves against their peers for each of the seven Ethos principles. EthicsGrade also offered them the opportunity to discuss the analysis carried out so that they could better understand the implications of its conclusions.

As mentioned earlier, the companies' responses were always taken into account. It is therefore not surprising that companies that actively participated in the questionnaire are also among those with the highest final scores. Companies that are open to dialogue and demonstrate transparency are recognised by investors and other ESG-conscious stakeholders as being more committed to social and environmental responsibility.

6. List of companies analysed

Companies	Sector	Participation in the study
ABB	Industrials	No
Adecco	Industrials	No
Alcon	Healthcare	No
AMS AG	Other	No
Bâloise	Insurance	Yes
Barry Callebaut	Consumer Goods	No
BB Biotech	Banks and financial services	No
Cembra Money Bank	Banks and financial services	Yes
Clariant	Materials	No
Credit Suisse	Banks and financial services	Yes
Dufry	Consumer Goods	No
EMS Chemie	Materials	No
Flughafen Zurich	Industrials	Yes
Galenica	Healthcare	No
Geberit	Industrials	No
Georg Fischer	Industrials	Yes
Givaudan	Materials	No
Helvetia	Insurance	Yes
Holcim	Materials	No
Julius Baer	Banks and financial services	Yes
Kuehne-Nagel	Industrials	No
Lindt & Sprungli	Consumer Goods	No
Logitech	Other	No
Lonza	Healthcare	No
Nestlé	Consumer Goods	No
Novartis	Healthcare	No
OC Oerlikon Corporation	Industrials	No
Partners Group	Banks and financial services	No
PSP Swiss Property	Other	No
Richemont	Consumer Goods	No

Companies	Sector	Participation in the study
Roche	Healthcare	No
Schindler	Industrials	No
SGS	Industrials	No
GIS	Materials	Yes
Sika	Materials	Yes
Sonova	Healthcare	No
Straumann	Healthcare	Yes
Swatch Group	Consumer Goods	No
Swiss Life	Insurance	Yes
Swiss Prime Site	Other	No
Swiss Re	Insurance	Yes
Swisscom	Other	No
Tecan	Healthcare	No
Temenos	Other	No
UBS	Banks and financial services	No
VAT Group	Industrials	No
Vifor Pharma	Healthcare	No
Zurich Insurance	Insurance	No



Ethos

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

T + 41 22 716 15 55
F + 41 22 716 15 56

Zurich Office

Bellerivestrasse 3
8008 Zurich
Switzerland

T + 41 44 421 41 11
F + 41 44 421 41 12

info@ethosfund.ch
www.ethosfund.ch

