



# RULES GOVERNING THE SWISS RESPONSIBLE EQUITY INDEX (SREI)

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

*Signatory of:*



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

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# 1. Index structure

## 1.1 INTRODUCTION

The Swiss Responsible Equity Index (SREI) measures the development of Swiss equities based on sustainable assessment provided by Ethos Services SA ("Ethos") and calculated by SIX Swiss Exchange ("SIX"). The index consists of the components of SPI which have at least an Ethos ESG rating of B+ on a Scale from A+ to C. To be selected for the index, all instruments are subject to revenue limits as defined in Ethos' Principles for Socially Responsible Investment. In addition, instruments must not be flagged as exclusion by Ethos, by the Swiss Association for Responsible Investments (<https://www.svvk-asir.ch/>) and need to fulfill the United Nations Global Compact (UNGC) assessment. The components are weighted by their free float market capitalisation.

## 1.2 SECURITIES UNIVERSE

### 1.2.1 SWISS RESPONSIBLE EQUITY INDEX (SREI)

The Swiss Responsible Equity Index (SREI) is based on the Swiss Performance Index (SPI). Therefore, the SREI follows the SPI Rulebook for all matters not described in this document. The Index Rules apply additional inclusion, exclusion or capping procedures as defined in this document. Stocks in the SREI are weighted by free-float market capitalization. In addition, a cap factor may be applied in order to meet the Index objectives that are defined in section 1.3.

## 1.3 INDEX OBJECTIVES

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

- Exclude companies whose products are incompatible with the values the foundation as listed in the Ethos charter - see details in section 3.2

- Exclude companies whose conduct violates the fundamental principles of ethics and sustainable development. - see details in section 3.3
- Include companies who receive an above average ESG assessment (Ethos ESG ratings A+, A- or B+) - see details in section 3.4
- Cap components with a weight above 20% at the time of the annual index review - see details in section 2.1.1

## 1.4 STANDARDIZATION

The SREI is standardized on close of 29 December 2023 with an initial value of 100.

## 1.5 REVIEW OF INDEX CONCEPT AND RULES

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

## 1.6 TERMINATION OF THE INDEX CALCULATION

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

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

## 2. Index calculation

### 2.1 LASPEYRES INDEX FORMULA

The SREI is calculated using the Laspeyres index formula with the weighted arithmetic mean of a defined number of securities issues. The index level is calculated by dividing the market capitalization of all securities included in the index by a divisor.

$$I_s = \frac{\sum_{i=1}^M p_{i,s} * x_{i,t} * f_{i,t} * c_{i,t} * r_s}{D_t}$$

#### Legend:

t:	Current day
s:	Current time on day t
I <sub>s</sub> :	Current index level at time s
D <sub>t</sub> :	Divisor on day t
M:	Number of issues in index
p <sub>i,s</sub> :	Last-paid price of security
x <sub>i,t</sub> :	Number of shares of security i on day t
f <sub>i,t</sub> :	Free float for security i on day t
c <sub>i,t</sub> :	Capping factor for security i on day t
r <sub>s</sub> :	Current CHF exchange rate at time s

The divisor ensures the index value stays constant if the index market capitalization changes due to a corporate action or other changes influencing the numerator.

#### 2.1.1 COMPONENT WEIGHTING

The SREI is a free float market capitalization-weighted index. This means the weight of a particular index component is derived from its free float market capitalization, which is defined as the product of the listed shares, the free float factor and the share price in the index currency.

At the time of the annual index review (see section 4.1.1), a cap is applied to any constituent whose weight stands above 20%. As this cap is determined annually at the time of the index review, it may not prevent constituent' weight to raise above 20% in between two index reviews, unless an exception is made (see below).

Exceptions may be made, for example, in case of extraordinary adjustments (see section 4.2).

# 3. Index composition

## 3.1 OVERVIEW

In order to meet the index objectives set under section 1.3, a component selection, performed by Ethos, is applied on top of the index composition of the base universe (the SPI). This selection is a combination of product-based exclusion, conduct-based exclusion, as well as the exclusion of low ESG ratings.

## 3.2 PRODUCT-BASED EXCLUSION

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

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

Excluded sectors are the following:

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

## 3.3 CONDUCT-BASED EXCLUSION

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

In addition, regular breaches of international conventions signed by Switzerland or the ten principles of the UN Global Compact (UNGC) lead to the exclusion of a company. These are repeated violations of normative criteria, indicating a systematic failure of the management of the company, the tacit authorization of abuse, or even intentional abuse. Systematic violation is not the result of a one-time misbehaviour or isolated accident.

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

## 3.4 ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE CRITERIA (ESG)

Only companies with an Ethos ESG rating of A+, A- and B+ may be included in the SREI.

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

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

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

# 4. Index adjustments

## 4.1 ORDINARY ADJUSTMENTS

### 4.1.1 INDEX REVIEW

The review of the index composition and capping factors is implemented annually on the third Friday in September (after close of trading), simultaneously to the annual SPI Index review.

The announcement of the new components usually occurs five trading days before the mentioned Friday - usually Monday or as early as practicable. The capping factors are calculated with the new number of shares and free float, effective as of the September index review effective date. The share prices of as of the second Thursday of September are used for the calculation of capping factors.

Index review is described in the SPI Rulebook.

### 4.1.2 CORPORATE ACTIONS AND DIVIDENDS

Corporate Actions and Dividends are adjusted as described in the SPI Rulebook.

## 4.2 EXTRAORDINARY ADJUSTMENTS IN THE COMPOSITION OF THE INDEX OR CAPPING FACTORS

To meet the index objectives defined in section 1.3, Ethos reserves the right in exceptional situations to amend the composition of the index between the planned index reviews. Exceptional situations may include, among others but not limited to, mergers, IPOs, spin-offs, non-compliance with the sustainability criteria defined by Ethos in section 3.

The announcement of extraordinary changes will generally take place five trading days, but no less than one trading day, prior to the implementation in the index.

For the 10 largest components in the SREI, the announcement of extraordinary exclusions, due to non-compliance with the sustainability criteria defined by Ethos in section 3, will take place at least two months prior to the implementation in the index.

# 5. Organisation

## 5.1 INDEX ADMINISTRATOR

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

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

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

Email: [gestion@ethosfund.ch](mailto:gestion@ethosfund.ch)

Phone: +41 (0)58 201 89 89

## 5.2 CALCULATION AGENT

SIX is the Calculation Agent of the Swiss Responsible Equity Index. SIX ensures the correct calculation on its systems according to market standards.

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

SIX  
Pfingstweidstrasse 110  
CH-8021 Zurich

Email: [indexsupport@six-group.com](mailto:indexsupport@six-group.com)

Phone: +41(0)58 399 21 11



## 6. Static data

<b>NAME</b>	<b>SYMBOL</b>	<b>ISIN</b>
Swiss Responsible Equity Index (Price)	SREIP	CH1311566215
Swiss Responsible Equity Index (Total Return)	SREITR	CH1311566223

# 7. Additional information

## 7.1 SIX WEBSITE

SIX webpage on the Swiss Responsible Equity Index:

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

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

[https://indexdata.six-group.com/customer/ethos\\_ch\\_responsible\\_equity.html](https://indexdata.six-group.com/customer/ethos_ch_responsible_equity.html)

SIX index adjustments and announcements:

[https://indexdata.six-group.com/adjustments\\_equity.htm](https://indexdata.six-group.com/adjustments_equity.htm)

## 7.2 ETHOS WEBSITE

Ethos webpage on the Swiss Responsible Equity Index:

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

Ethos principles for socially responsible investment:

[https://www.ethosfund.ch/sites/default/files/2023-11/2022\\_Principes\\_Ethos\\_pour\\_ISR\\_EN\\_A4\\_FINAL\\_fixe\\_d.pdf](https://www.ethosfund.ch/sites/default/files/2023-11/2022_Principes_Ethos_pour_ISR_EN_A4_FINAL_fixe_d.pdf)

Ethos general publications:

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

# 8. Revision history

VERSION / DATE	DESCRIPTION
1.0 / 29.12.2023	Index methodology at launch
1.1 / 29.02.2024	Methodology clarification for extraordinary exclusions of largest components in section 4.2

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