

ENGAGEMENT POOL
INTERNATIONAL
ANNUAL REPORT 2022 - SUMMARY

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Corporation

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ENGAGEMENT : AN OVERVIEW

1. Preface

This year again, listed companies have been increasingly willing to engage in serious dialogue with their shareholders on sustainability issues. One of the main reasons for this is certainly regulatory developments, such as the European Union's Directive on Corporate Sustainability Reporting, which was adopted in November 2022. Another reason is the growing awareness among institutional investors of their importance in creating a more sustainable economy. This was demonstrated, for example, by the large number of institutional investors who participated in the UN conferences in Sharm El Sheikh and Montreal for the protection of climate and biodiversity.

The Ethos Engagement Pool International (EEP International), which already had 100 members at the end of 2022, is an excellent platform for dialogue between companies and their shareholders. With CHF 286 billion in assets under management, the EEP International is the third largest European pension fund. The EEP International is therefore undoubtedly a voice that is heard by the management of companies, even outside Switzerland.

Following a proposal from the members of the EEP International, we have launched a fourth priority commitment in 2022 on the theme of biodiversity. This theme includes, for example, the protection of ecosystems, the reduction of plastic and air pollution and the promotion of a circular economy model. One of the first campaigns supported by the EEP International was the call for a global agreement on plastic pollution. The UN General Assembly on the Environment was held in Nairobi in March 2022. Ahead of this assembly, a group of institutional investors called on UN member states to develop an ambitious and legally binding global agreement against plastic pollution. At the end of the meeting, 175 nations committed to proposing a legally binding treaty against plastic pollution by 2024.

In the social field, the issue of artificial intelligence, digital surveillance, and their interplay with the protection of human rights has gained importance. As part of the Digital Inclusion initiative, companies were called upon to put in place policies and mechanisms to ensure the ethical and inclusive development and use of artificial intelligence with respect for human rights. The EEP International members supported the Investor Statement on Facial Recognition Technology which aims to encourage companies to anticipate and prevent the potential negative effects of easy recognition technology on fundamental human rights.

Of course, the topic of climate change also remains important. At the end of 2022, after consultation with

the members of the EEP International, we concluded Ethos' first climate change engagement campaign, which encouraged several European electricity suppliers to adopt ambitious climate strategies. Looking at the absolute CO₂ reductions of the companies targeted during the campaign, we can see that they have decreased by 140 million tons since the beginning of the engagement campaign. This corresponds to about three times the annual emissions of Switzerland!

This annual report details the developments and progress of the various engagement initiatives. As agreed with its members, the EEP International focuses on human rights, climate change, biodiversity, and governance. Your support as a member of the EEP International has enabled Ethos to pursue an intense and constructive dialogue with listed companies outside Switzerland. Thanks to the increased membership of the EEP International, the team has been strengthened by two additional people.

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

Matthias Narr

Head Engagement International

2. Preamble

This summary report of the 2022 activities of the Ethos Engagement Pool International (EEP International) presents a summary of the steps taken and the main results obtained in the framework of the dialogue conducted by Ethos Services with companies on behalf of the members of the EEP International. The detailed report is sent to the EEP International members only. As the dialogue with companies is essentially based on discretion, the detailed report is not public.

2.1 COMPANY UNIVERSE

The companies with which the EEP International engages are included in the MSCI World ex-CH and MSCI World Emerging Markets Top 250 indices. If there is a particular relevance to a particular issue, dialogue can also be conducted with selected companies outside these indices.

In addition, selected Swiss companies may be included in international engagement campaigns.

2.2 THEMES FOR DIALOGUE

The themes for dialogue and the companies selected reflect the interests of EEP International members. At the annual meeting in November 2022, the EEP International members decided to continue to focus on climate change and biodiversity for environmental engagement and on human and labor rights for social engagement. In the area of governance, the focus is on shareholder rights and remuneration.

2.3 TYPES OF ENGAGEMENT

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

DIRECT ENGAGEMENT WITH COMPANIES

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

1. Direct dialogue within Ethos' own campaigns whose themes and target companies are directly validated by the EEP International.
2. Direct dialogue with one or more companies as part of a collective international engagement campaign.

COLLECTIVE ENGAGEMENT WITH COMPANIES

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 the 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.

POLICY ENGAGEMENT

This type of dialogue takes place with different organisations or authorities that have an influence on the regulatory framework of listed companies (regulators, parliaments, standard setters). In 2022 the engagement took place by sending letters co-signed with other institutional investors.

2.4 ENGAGEMENT PROCESS

As far as possible, Ethos defines five steps to measure the progress of the direct engagement process with companies within Ethos' own initiatives:

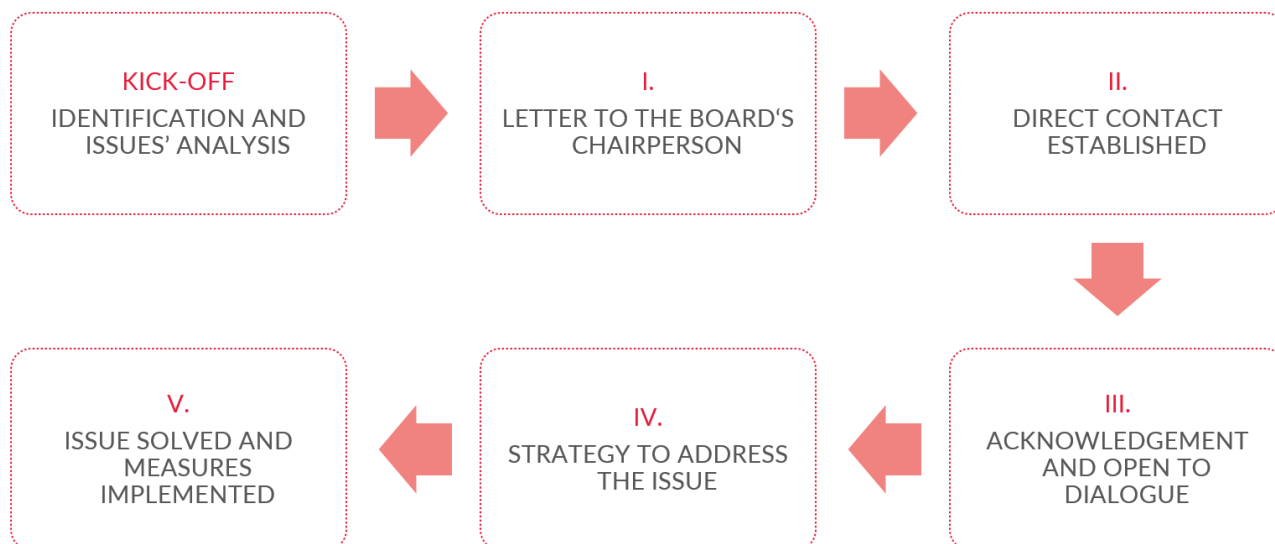
- Milestone I: Letter to the Chair of the Board of Directors.
- Milestone II: Direct contact with the company.
- Milestone III: The company accepts the challenge and is open to dialogue.
- Milestone IV: The company develops a serious strategy on the issue.
- Milestone V: The issue is addressed and convincing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

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

ENGAGEMENT INTENSIFICATION

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

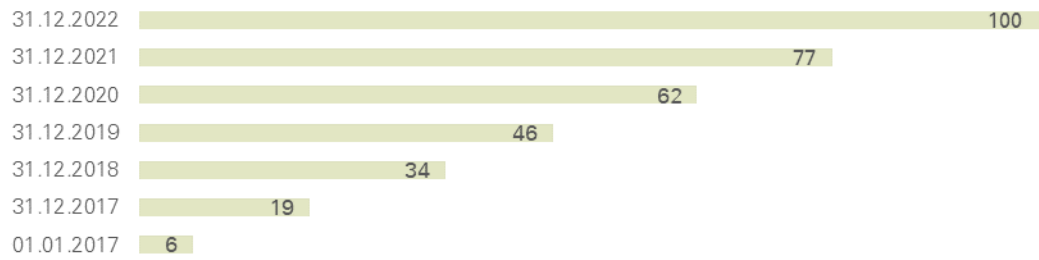
- Statement at the Annual General Meeting.
- Collaboration with other shareholders.
- Recommendation to vote against the proposals made by the governing bodies.
- Recommendation to vote against board members.
- Filing of a shareholder resolution.
- Initiation of legal proceedings.
- Recommendation for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



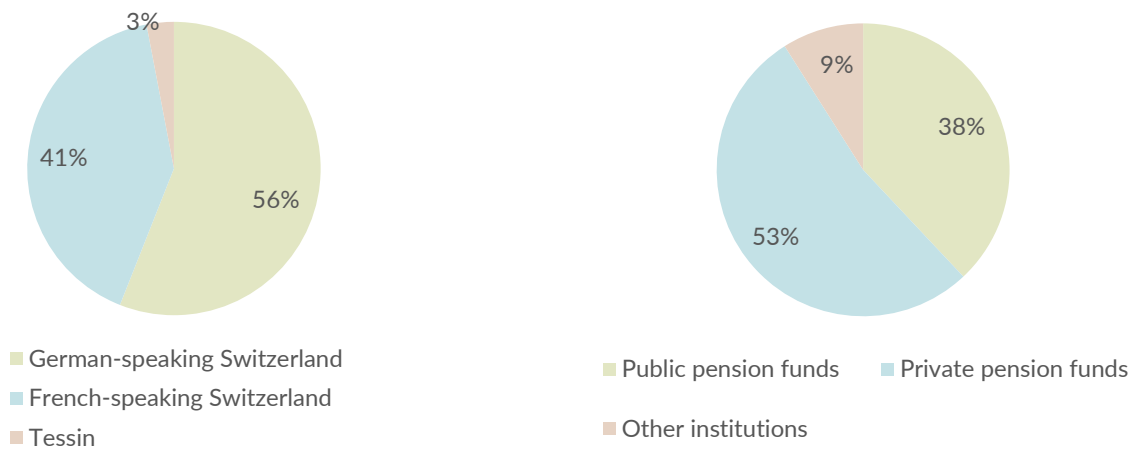
2.5 EEP INTERNATIONAL MEMBERS

By the end of 2022, the EEP International already had 100 members with assets under management totalling CHF 286 billion and 2'423'122 people insured.

GROWTH SINCE THE LAUNCH OF THE EEP INTERNATIONAL



100 MEMBERS AS OF 31 DECEMBER 2022



2.6 LIST OF MEMBERS

2.6.1 MEMBERS BEFORE 2022

- 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'État 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 Établissements Pénitentiaires
- Caisse de Prévoyance de l'État 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'État de Fribourg (CPPEF)
- Caisse de prévoyance du personnel de l'État 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
- Établissement 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
- Previsa, 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

2.6.2 MEMBERS JOINING THE EEP INTERNATIONAL IN 2022

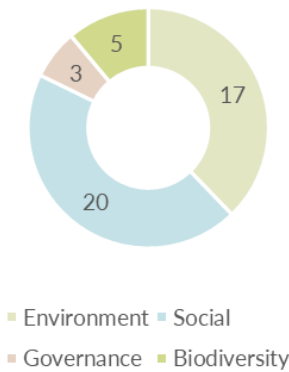
- Accenture Executive Pensionskasse
- AVENA – Fondation BCV 2e pilier
- BVG – Stiftung der SV Group
- Caisse de pensions Féd. int. des Stés. de la Croix-Rouge et du Croissant-Rouge
- CAPUVA Caisse de prévoyance des travailleurs et employeurs du commerce de détail
- Établissement cantonal d'assurance et de prévention (ECAP- Neuchâtel)
- Fondation de Prévoyance Edmond de Rothschild
- Fondazione Ticinese per il secondo pilastro
- Fondo di Previdenza per il Personale dell'Ente Ospedaliero Cantonale
- GEMINI Sammelstiftung
- Liechtensteinische AHV-IV-FAK
- Pensionskasse der Diözese St.Gallen
- Pensionskasse der Schweizer Paraplegiker-Gruppe Nottwil
- Pensionskasse der Schweizerischen Nationalbank
- Pensionskasse der Stadt Zug
- Pensionskasse der Technischen Verbände SIA STV FSAI USIC
- Pensionskasse des Kantons Nidwalden
- Pensionskasse von Krankenversicherungs-Organisationen
- Personalvorsorgestiftung der Accenture Schweiz
- Personalvorsorgestiftung der Würth-Gruppe Schweiz
- Stiftung Auffangeinrichtung BVG
- Swissbroke Vorsorgestiftung
- Symova Sammelstiftung BVG

3. 2022 Key figures

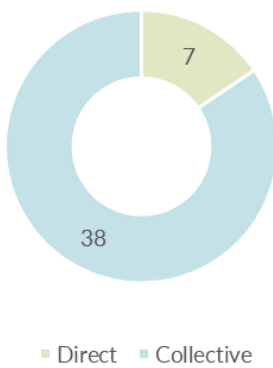
- The EEP International participated in 45 engagement initiatives during the year.
- A total of 2,083 companies were targeted in these engagement initiatives.
- As part of these engagement campaigns, the EEP International conducted 542 engagement activities.
- The EEP International conducted direct dialogue with 45 companies in Ethos' own engagement campaigns and with 52 companies in collaborative engagement campaigns.

3.1 ENGAGEMENT CAMPAIGNS

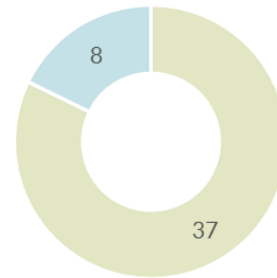
3.1.1 BY PILLARS



3.1.2 BY ENGAGEMENT TYPE

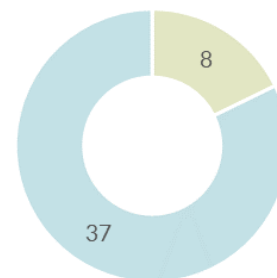


3.1.3 BY TARGET



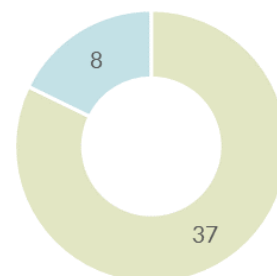
■ Companies ■ Regulatory authorities

3.1.4 BY CHARACTERISTIC



■ One-off ■ Recurring

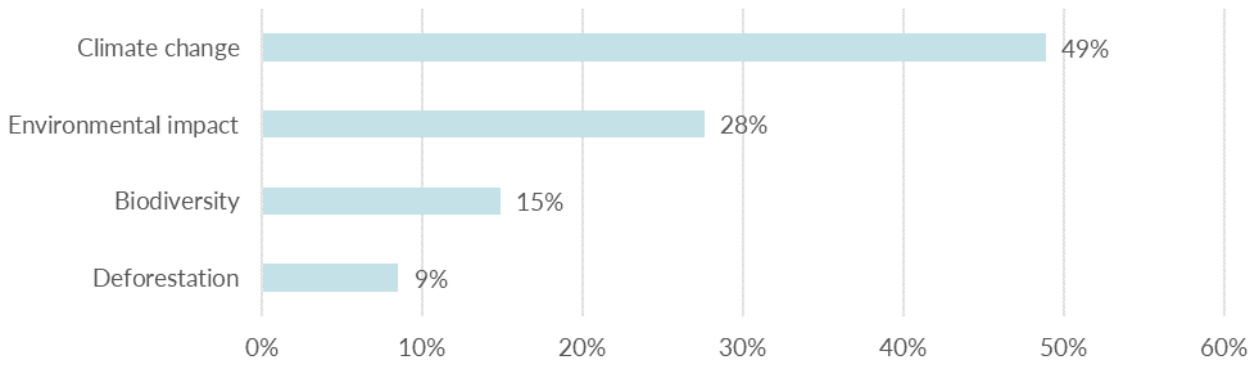
3.1.5 STATUS AT 31.12.2022



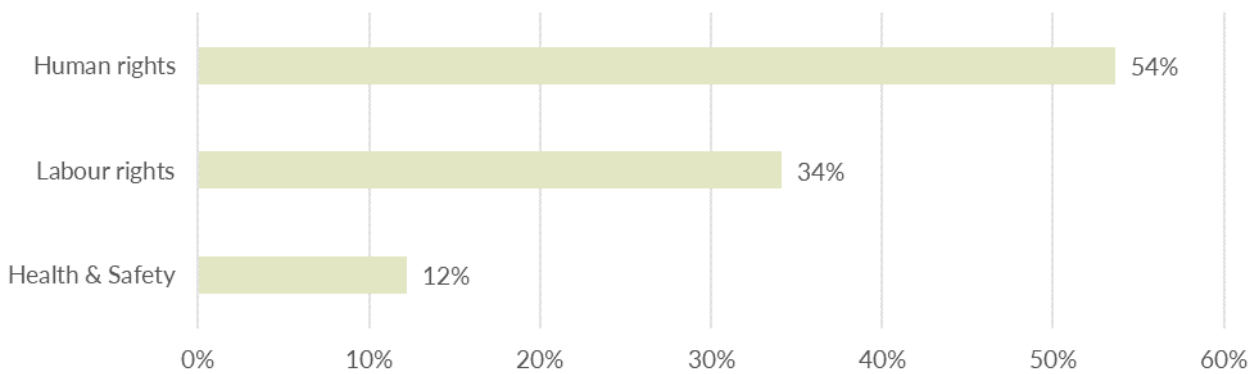
■ In progress ■ Completed

3.1.6 BY THEME

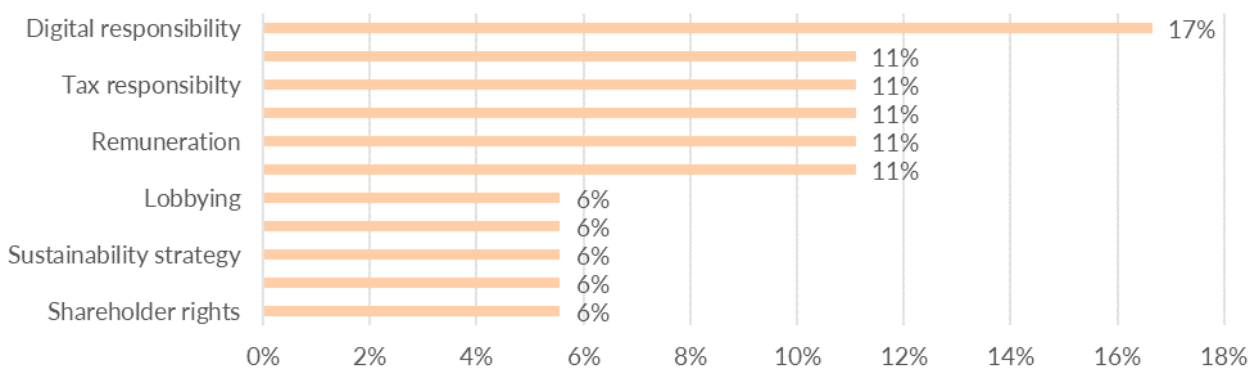
Distribution of "E" engagement themes



Distribution of "S" engagement themes



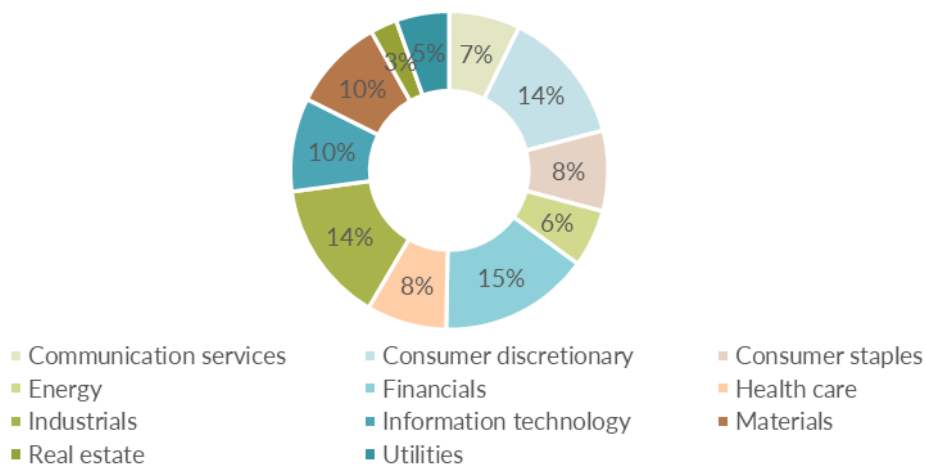
Distribution of "G" engagement themes



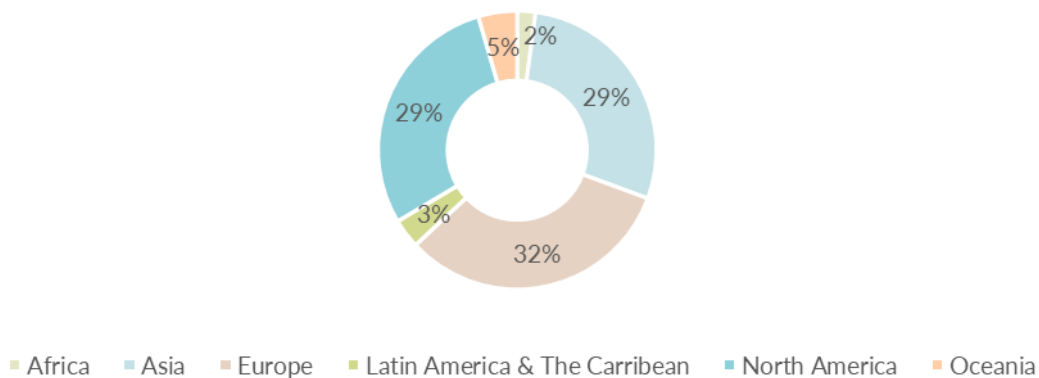
3.2 TARGETED COMPANIES

Number of targeted companies	2'083
Share of MSCI World (au 31.12.2022)	66%
Share of MSCI EM (au 31.12.2022)	36%
Share of MSCI ACWI (au 31.12.2022)	52%

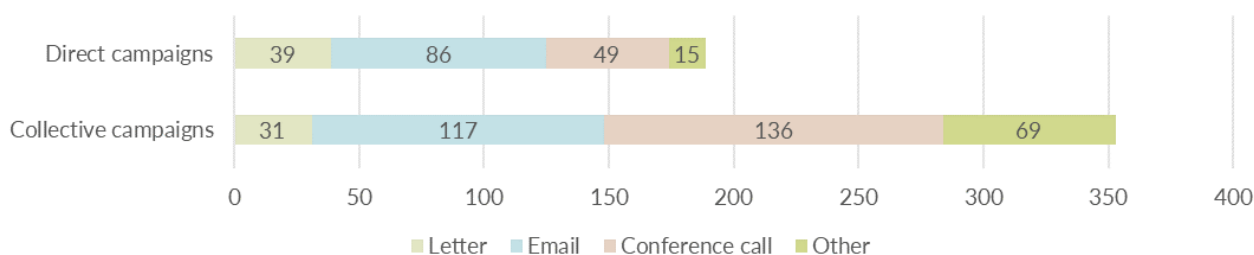
3.2.1 ENGAGED COMPANIES BY SECTOR



3.2.2 ENGAGED COMPANIES BY REGION



3.3 ENGAGEMENT ACTIVITIES



Engagement activities range from emails, letters and conference calls with target companies to activities with other investors in the context of collective engagement campaigns, such as quarterly updates from campaign initiators to the institutional investors involved.

3.4 ENGAGEMENT PROGRESS

Number of companies targeted in direct initiatives by Ethos	45
With a positive evolution	16 (36%)
With a neutral evolution	28 (62%)
With a negative evolution	1 (2%)

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

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

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, 23 specific climate change initiatives were underway in 2021, targeting 1'367 companies. The EEP International's engagement activities covered:

- 79% of the absolute emissions of the MSCI World Index.
- 68% of the absolute GHG emissions of the MSCI EM index.
- 72% of the absolute GHG emissions of the MSCI ACWI.

(In each case scopes 1+2).

Below we present some results from the engagement campaign with eight European electricity suppliers to develop ambitious climate strategies. Looking at the absolute reductions (measured in CO₂ equivalents) of the target companies over the campaign period, we find that the target companies have reduced about 140 million tons of CO₂ since the start of the engagement campaign. This corresponds to about three times the annual emissions of Switzerland. In the course of the commitment campaign, five target companies have set themselves scientifically based CO₂ reduction targets. If these targets are met, CO₂ savings of around 290 million tons should be achieved by 2023. This corresponds to about six times the annual emissions of Switzerland.



OVERVIEW OF INITIATIVES

In this chapter, the engagement campaigns are grouped according to EEP International's 4 major themes of dialogue (Climate Change, Biodiversity, Social and Governance).

In each category, campaigns are presented in chronological order of their launch (from the oldest to the most recent). All documents related to the campaigns supported by the EEP International are available on the Ethos [client platform](#).



4. Climate change

Global warming is a material risk to companies, their strategies, and assets. It is therefore essential that all companies address this issue. The objectives of the dialogue are the following:

- **Improved transparency:** companies should measure their emissions according to an internationally recognized standard such as the Greenhouse Gas Protocol (GHG Protocol). This would allow company boards and management to set targets for reducing greenhouse gas emissions. Ethos believes that companies should also report in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).
- **Reduction Targets:** Companies should adopt ambitious greenhouse gas emission reduction targets to limit warming to 1.5°C. These targets are called Science Based Targets (SBT).
- **Consideration of indirect emissions (scope 3):** The impact of climate change must also be measured at the level of the company's supply chain, which is often responsible for a large proportion of emissions.



4.1 BANKING ON A LOW-CARBON FUTURE

Under the campaign, launched in 2014 and coordinated by Boston Common Asset Management and ShareAction, the EEP International and other institutional investors are calling on banks to critically review their financing of carbon-intensive activities and align them with the goals of the Paris Agreement and the TCFD's climate change reporting recommendations. Each year, the campaign's initiators publish a study on the progress made by the targeted banks, which is then used as a basis for dialogue with these banks. Within the initiative, Ethos takes the lead in the dialogue with two major Swiss banks. In this context, Ethos, ShareAction and 11 other institutional investors have tabled a shareholder resolution on climate protection at the 2022 General Meeting of Credit Suisse. The aim of the resolution is to urge Credit Suisse to improve its climate impact transparency and reduce its exposure to fossil fuel financing. The resolution was supported by 18.5% of shareholders.

4.2 INVESTOR DECARBONIZATION INITIATIVE

In 2017, the EEP International joined the multi-year Investor Decarbonisation Initiative (IDI) campaign coordinated by ShareAction in the UK. In the meantime, the network of investors supporting the initiative has grown to 116 institutional investors with more than USD 2'400 billion under management targeting companies in a range of sectors, including power generation, cement, automotive and retail, to encourage them to sign up to one or more of the following actions: adopting a science-based emissions reduction target (SBT), sourcing 100% renewable energy (RE100), aiming for high energy performance (EP100) and promoting electric mobility (EV100). In addition, a specific campaign has been launched in 2021 which focuses on the decarbonisation strategies of 13 European chemical companies. This campaign highlights the need to electrify chemical production processes using only renewable energy and to replace fossil raw materials with hydrogen or green methanol. In 2022, 10 conference calls were held to discuss these expectations with the companies.

4.3 PARTICIPATION IN CDP

As part of this initiative, the EEP International and a large group of international institutional investors ask on a yearly basis 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 2022, 263 investors representing USD 31 trillion in assets under management participated in the initiative. A total of 1'052 companies were targeted, of which 295 decided to complete the CDP 2022 questionnaire.

4.4 CLIMATE ACTION 100+

In the framework of the Climate Action 100+ campaign, 700 institutional investors, including members of the EEP International, are addressing the 166 major GHG emitters that 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. The Climate Action 100+ campaign seeks to encourage the boards of directors and management of companies classified 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 across the value chain, in line with the Paris Agreement's goal of keeping the average global temperature increase to less than 2°C above pre-industrial levels. Third, improve reporting by following the recommendations of the TCFD. The assessment published in October 2022 shows that targeted companies have continued to improve their reporting. The results show that 75% of targeted companies have now committed to achieving net zero emissions by 2050 for all or at least some of their emissions, driven by the Climate Action 100+ business-investor dialogue. In addition, in 92% of the target companies, the board of directors has a duty to oversee climate change. Finally, 91% of the companies surveyed comply with the TCFD's recommendations, either by supporting its principles or by using climate scenarios in their forecasts.

4.5 AMBITIOUS CLIMATE STRATEGIES IN THE EUROPEAN ELECTRICITY SECTOR

In June 2018, the EEP International launched its own engagement campaign to encourage eight European electricity generators to develop ambitious climate strategies. The project made five demands: decarbonise the electricity generation mix, set a science-based CO₂ reduction target, engage in responsible lobbying, develop new business models and report in line with TCFD recommendations. At the start of the engagement cam-

paign, an introductory letter was sent to the chairmen of the boards of the companies concerned. These letters were signed by members of the EEP International and interested members of the Interfaith Center for Corporate Responsibility (ICCR). An intensive dialogue was then initiated with all companies. Several telephone conversations and visits were held to clarify the expectations of the EEP International and to discuss the companies' views on the subject. At the end of 2022, this engagement campaign was successfully concluded after consultation with the EEP International members. The campaign prompted several European electricity suppliers to adopt ambitious climate strategies and five of the eight targeted companies met all the campaign requirements. Looking at the absolute CO₂ reductions over the duration of the campaign, the CO₂ emissions of the targeted companies have decreased by almost 140 million tons since the beginning of the campaign. This corresponds to about three times the annual emissions of Switzerland.

4.6 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 in dialogue with the signatories of the investor statement. In September 2020, the signatories sent a follow-up letter asking the 47 companies to realign 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. The campaign was closed in early 2022.

4.7 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 airline 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. The campaign was closed in early 2022.

4.8 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 (MVP) and calling on them to stop funding the controversial project. The initiative, coordinated by the Sierra Club Foundation, was signed by 98 institutional investors representing a total of USD 245 billion in assets. After focusing on legal action against the project in 2021, several shareholder resolutions were put to a vote in 2022. They focus on respect for the rights of indigenous peoples and the introduction of a directive not to finance new fossil fuel projects.

4.9 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 sectors are both the largest source of anthropogenic methane emissions and the area where reductions are most easily achieved. The EPA then launched a public consultation on the regulation. In January 2022, the initiative again submitted comments to the EPA. The final rule, which should significantly reduce methane emissions from oil and gas facilities, is still pending.

4.10 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. This would protect investors from the systemic and financial risks of the climate crisis. This initiative is coordinated by Ceres and has been signed by 180 institutional investors representing USD 2'700 billion in assets under management. In March 2022, the SEC proposed rules to improve and standardise climate reporting for investors. The rules include a requirement to report, as recommended by the TCFD, Scope 1 and Scope 2 emissions and Scope 3 emissions if they are material or if a reduction target for those emissions including Scope 3 has been set.

4.11 INVESTOR STATEMENT TO GOVERNMENTS ON THE CLIMATE CRISIS

The EEP International and a group of institutional investors launched a global investor statement in October 2021 ahead of the COP26 climate conference in Glasgow. The declaration contained concrete demands for governments to step up their efforts to combat climate change and meet the targets of the Paris Agreement. As the targets were not met, a new statement from 604 institutional investors with USD 42 trillion in assets under management was issued ahead of the COP27 climate conference in November 2022.

4.12 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 worldwide ahead of the COP26 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. As part of the initiative, 46 of the 63 banks contacted had responded and 24 had confirmed that they would publish new climate targets by their general meetings in 2022. The campaign was closed at the end of 2022.

4.13 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 campaign is coordinated by Arabesque Asset Management and has been supported by 98 institutional investors representing USD 925 billion in assets under management. In 2022, five of the targeted companies published their Scope 1, 2 and 3 emissions separately.

4.14 INVESTOR STATEMENT ON THE LINE 3 PIPELINE

The EEP International and a group of institutional investors, coordinated by the Investors & Indigenous Peoples Working Group (IIPWG), sent a letter in March 2022 to ten US and Canadian banks involved in financing the Line 3 pipeline between Alberta and Wisconsin. The

letter focused on the various risks associated with financing tar sands projects and highlighted the harm caused to indigenous peoples. During the year, discussions were held with eight banks and shareholder resolutions were filed with three of them. This initiative is supported by 158 institutional investors with assets under management of USD 2'090 billion.

4.15 LETTER TO THE SEC FOR THE RELEASE OF THE CLIMATE DISCLOSURE RULE

The EEP International and a group of institutional investors, coordinated by the Foundation As You Sow, launched a collaborative initiative to send a letter to the US SEC calling for the early publication of the final Climate Disclosure Rule and the inclusion of Scope 1, 2 and 3 emissions in the rule. The letter was sent at the end of 2022 and was signed by 143 institutional investors with USD 965 billion in assets under management.

4.16 NET ZERO ENGAGEMENT INITIATIVE

The EEP International and a group of institutional investors, coordinated by the Institutional Investors Group on Climate Change (IIGCC), plan to launch a pledge campaign in the first quarter of 2023 to encourage major greenhouse gas emitters, mainly in Europe, to adopt and implement net zero commitments.

5. Biodiversity

The dialogue theme on biodiversity was introduced in 2021. It covers diversity within terrestrial and marine species and different ecosystems. It is a broad and complex theme, and the dialogue focuses on:

- **Deforestation:** it is at the heart of climate, biodiversity, food, and water security issues and represents a growing financial risk. Halting deforestation can be one third of the solution to meeting the Paris Agreement's climate target for CO₂ emissions as well as reducing biodiversity loss. Yet deforestation continues unabated.
- **Protection of the oceans and access to water:** Water and access to it generate many risks and vulnerabilities for companies and human beings. These include increased competition for water, water pollution from agriculture or chemical companies and health impacts, and risks to industries that depend on water as a raw material.
- **Plastic pollution:** Plastics are multi-purpose materials that we use excessively and irresponsibly. They are derived from oil and gas and are usually designed to be used only once before being thrown away. Every year, millions of tonnes of plastic have a negative impact on the environment.



5.1 INVESTOR POLICY DIALOGUE ON DEFORESTATION (IPDD)

In June 2022, the EEP International joined a group of institutional investors, coordinated by the Tropical Forest alliance, the World Economic Forum (WEF) and supported by the Principles for Responsible Investment (PRI), which has set up an initiative with authorities and industry associations in selected countries (Brazil, Indonesia) on deforestation. The aim of the Investor Policy Dialogue on Deforestation (IPDD) is to coordinate a dialogue on stopping deforestation with policy makers in the countries concerned. The EEP International is actively involved in the specific working group about Brazil. The initiative is supported by 67 investors with USD 10 trillion in assets under management.

5.2 DEFORESTATION ACROSS THE CATTLE AND SOY VALUE CHAINS

In August 2021, the EEP International launched a new engagement campaign aimed at encouraging various companies in the beef and soy value chains, which are heavily involved in deforestation, to adopt effective practices to prevent deforestation. The initiative covers producers, distributors, and retailers. To this end, we have identified international best practices and formulated specific investor expectations in this area. In particular, the campaign calls on producers, traders, and retailers of agricultural products at risk from deforestation to adopt the following principles:

- Establish a policy prohibiting deforestation.
- Commit to full supply chain traceability.
- Adopt a monitoring and verification system including a grievance mechanism.
- Engage with suppliers and promote the eradication of deforestation.
- Encourage voluntary sustainability certification sustainability.
- Publish a report on the implementation of the policy and commitment to traceability.

An intensive dialogue was initiated with all companies. Several conference calls were held with the seven targeted companies until the end of 2022, during which Ethos explained its expectations and the progress made by the companies was discussed.

5.3 INVESTOR CALL FOR A GLOBAL TREATY ON PLASTIC POLLUTION

The EEP International and a group of institutional investors, coordinated by the Foundation As You Sow, have supported the release of an investor statement calling on UN member states to lay the groundwork for a global treaty to eradicate plastic pollution at the

United Nations Environment Assembly in March 2022. The declaration was signed by 151 investors representing USD 5'400 billion in assets under management. The initiative was a success as representatives from 175 nations approved an ambitious resolution to end plastic pollution and negotiate a legally binding global agreement by 2024.

5.4 INVESTOR LETTER FOR DEFORESTATION-FREE LEGISLATION IN THE US

The Seventh Generation Interfaith Coalition for Responsible Investment has formed an investor coalition supported by the EEP International at Spring 2022 to issue an investor letter in support of the passage of the FOREST Act in the US. The Act aims to reduce illegal deforestation worldwide by restricting trade in certain agricultural commodities. The initiative has not yet published the letter as it is waiting for the best time to do so, depending on the political situation in the US.

5.5 VALUING WATER FINANCE

In July 2022, the EEP International and a group of institutional investors, coordinated by Ceres, launched the Valuing Water Finance Initiative, which will encourage companies in the food, beverage, technology and textile sectors to better manage and protect water resources in their global business operations and supply chains. The initiative is supported by 64 investors representing USD 9'800 billion in assets under management.

6. Social

The management of human resources and working conditions is a key element of a company's sustainability strategy. Companies are expected to put in place a transparent policy that confirms that these issues are identified and managed in an exemplary manner.

This includes ensuring that these policies are also applied to employees of supply chain companies, often located in emerging economies. This requires companies to establish a clear strategy for dealing with these issues, including the establishment of a specific code of conduct for their suppliers. To ensure that these measures are implemented, companies should conduct regular audits of their suppliers. The objectives of the dialogue can be described as follows:

- Transparent policy on workers' rights.
- Publication of human resources indicators (accidents, fatalities, turnover, diversity, satisfaction, etc.) satisfaction, etc.).
- Publication of a code of conduct for suppliers.
- Establishment of a due diligence process, particularly about human rights issues.



6.1 INVESTOR ENGAGEMENT WITH SOCIAL MEDIA AND TELECOMMUNICATION COMPANIES REGARDING DIGITAL RIGHTS

In April 2022, the EEP International joined an investor initiative launched in 2015 with social media and telecommunication companies regarding digital rights. The commitment covers 26 companies that are assessed annually by the non-governmental organisation (NGO) Ranking Digital Rights (RDR) on their respect for the right to freedom of expression and privacy. These results are directly reflected in the engagement with companies. The updated investor statement was published in May 2022. The initiative is supported by 176 institutional investors with assets under management of USD 9'200 billion. It is co-sponsored by the Interfaith Center on Corporate Responsibility (ICCR) and Ranking Digital Rights (RDR).

6.2 KNOWTHECHAIN

In May 2018, the EEP International joined a group of institutional investors supporting the KnowTheChain (KTC) initiative. KTC is a partnership between the NGOs Humanity United, Business & Human Rights Resource Centre, Verité and the research company Sustainalytics. The 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 as many companies as possible and that they will manage the risks associated with forced labour in their supply chains. KTC has been conducting assessments since 2016, focusing on the information and communication technology (ICT), food, beverage, and textile sectors. Ethos is responsible for the engagement of two companies with the results of the assessments. The dialogue with these two companies continued in 2022 and intensified about corporate due diligence obligations following the publication of reports on forced labour of the Uighur minority in China.

6.3 EXTENSION OF THE "ACCORD ON FIRE AND BUILDING SAFETY IN BANGLADESH"

After the Rana Plaza tragedy in 2013, textile companies with supply chains in Bangladesh created the "Accord on Fire and Building Safety in Bangladesh" (the Accord). Local producers, trade unions and textile companies agreed to improve the safety of local factories, including the creation of works councils and the implementation of independent inspections. The involvement of the EEP International and a group of institutional investors helped to get the textile companies to sign up to the agreement. On the other hand, the investors have obtained several extensions of the agreement in Bangladesh, although the government has been critical of it. The last extension was decided in September 2021, partly because the locally established monitoring body needed more time to fully carry out its responsibilities and construction improvements are still needed. This two-year extension is still legally binding for international brands. As the model of the Agreement has proved successful, this new international agreement provides for the extension of the programme to at least one more country. In December 2022, the unions announced that the signatories of the international agreement would launch a comprehensive safety and health programme in Pakistan from 2023, which is also legally binding. This programme will again cover the garment and textile sectors and will last three years.

6.4 LABOUR RIGHTS IN TEXTILE SUPPLY CHAINS

Following the Rana Plaza accident in Bangladesh, the EEP International encouraged companies to support and expand the "Accord on Fire and Building Safety in Bangladesh" (the Accord) by launching an own engagement campaign on the subject. 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, increased publications on alleged forced labour in the Xinjiang Uygur Autonomous Region attracted attention. In 2022, companies were approached twice about fair pay guidelines in supply chains and to support the new pilot project on workers' compensation insurance launched by the International Labour Organisation (ILO) and the Bangladeshi government.

6.5 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 as well as the quality of jobs in multinational companies, both at group level and along their supplier chain. The WDI is modelled on the 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 2022, the WDI was supported by 67 institutional investors with assets of over USD 10'500 billion. 167 companies participated (out of 1000 companies contacted). In 2022, Ethos followed up and contacted Swiss companies in the SMI Expanded directly. Five of them responded to the questionnaire in 2022. Ethos also contacted 16 international companies. 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.

6.6 PLATFORM LIVING WAGE FINANCIALS

In January 2022, the EEP International joined an investor campaign launched in 2018 on the Living Wage in the textile industry. The pledge is aimed at 34 companies, which are analysed annually by participating investors on their progress in introducing a living wage in the supply chain. By the end of 2022, the platform was supported by 19 financial institutions with assets under management of USD 6'500 billion. The EEP International participates in the platform as a supporting entity.

6.7 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 call on the companies concerned to ensure appropriate environmental and social practices in their supply chains, both in terms of worker health and safety and the negative consequences of such extraction, in particular 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 for one company for which the first phase of the engagement was successfully completed in 2021. In 2022, a second phase was launched, which focuses more on the risks of forced labour in relation to the Uyghur minority. Several exchanges took place with

the company to raise awareness of the need for additional transparency regarding the results of supplier audits and complaint mechanisms.

6.8 IMPROVEMENT OF THE RESULTS OF THE CORPORATE HUMAN RIGHTS BENCHMARK (CHRB)

The EEP International and a group of institutional investors, coordinated by the Investor Alliance for Human Rights (IAHR) Alliance for Human Rights (IAHR), sent an investor statement to 50 banks in March 2020 urging them to close the gaps in human rights best practice identified by the NGO BankTrack. The statement was signed by 80 institutional investors representing USD 200 billion in assets under management. In 2021 and 2022, several positive developments took place, showing that banks are increasingly applying human rights due diligence. In November 2022, BankTrack published the new assessment. It confirms the progress made, but also highlights the steps to be taken in terms of reporting and support. A meeting between Ethos and a BankTrack analyst also took place in November.

6.9 IMPROVING PERFORMANCE ON THE CORPORATE HUMAN RIGHTS BENCHMARK (CHRB)

In 2021, the EEP International and a group of institutional investors sent letters to 106 companies that are labelled 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 on their human rights systems and processes. The initiative is coordinated by the Investor Alliance for Human Rights (IAHR) and the World Benchmarking Alliance (WBA). The letters, which have also been endorsed by investors in the form of a general declaration, had 211 signatories by the end of 2022, with total assets of USD 7'000 billion. Ethos is responsible for the dialogue with one company from 2021. The fifth edition of the CHRB covers 127 companies and was published in November 2022. Since the first edition in 2017, significant progress has been made by companies. Only 46 out of 127 companies are now considered latecomers. More companies are now meeting the basic requirements, but progress is still too slow.

6.10 COMBATING THE EXPLOITATION OF MIGRANT WORKERS IN THE UNITED ARAB EMIRATES (UAE)

As of August 2020, the EEP International and a group of institutional investors have sent letters to over 50 international companies headquartered in the United Arab Emirates (UAE). This initiative is co-sponsored by the Churches, Charities and Local Authorities (CCLA) and supported by a total of 38 investors representing USD 3'000 billion in assets under management. The United Arab Emirates is the destination for many migrant workers from the neighbouring region. When recruited, these migrants are often misled about the work to be done and the conditions of the job. 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 worsened the situation of migrants, and the World Expo in Dubai and the 2022 Football World Cup in neighbouring Qatar have drawn attention to the working conditions of migrant workers. Thus, in collaboration with the International Labour Organization (ILO), the government adopted a legal framework for migrants in 2021, which was revised in September 2022. The government has committed to wage protection measures such as on-site visits and inspections. In August 2022, an Abu Dhabi labour court ruling ordered the payment of unpaid wages to more than 5'800 migrants to the tune of USD 11 million. The initiative, which was completed by the end of 2022, has raised awareness among more than 50 companies in different sectors at risk of inadequate protection of migrant workers' rights.

6.11 FORCED LABOR IN THE SUPPLY CHAINS OF EUROPEAN TECHNOLOGY COMPANIES

In September 2020, the EEP International launched its own commitment campaign to encourage six European technology companies to adopt effective practices to combat forced labour. Specifically, seven requirements were defined:

1. A code of conduct for suppliers that respects the four core standards of the International Labour Organisation (ILO).
2. The publication of the list of Tier 1 suppliers.
3. Creating incentives for suppliers to reward good working practices.
4. A recruitment policy that requires workers to pay no fees.
5. Publication of the operation of the complaints mechanism.

6. Unannounced audit visits to suppliers.
7. The publication of concrete examples of corrective measures.

The EEP International plans to carry out this commitment for at least three years. At the start of the engagement campaign, an introductory letter was sent to the board chairs of the companies involved. The letters were also signed by interested members of Shareholders for Change (SfC). Subsequently, an intensive dialogue was initiated with all companies. Several calls and e-mail were held to explain the expectations of the EEP International and to discuss the companies' views on the subject.

6.12 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 campaign, letters were sent to more than 40 companies in the first quarter of 2021 asking them to examine the risks associated with forced labour in China's Xinjiang Uyghur Autonomous Region. An important source of information is the "Uyghurs for Sale" report, published in March 2020 by the Australian Strategic Policy Institute (ASPI) and reports by the Helena-Kennedy Center at Sheffield Hallam University. They confirm the pervasiveness of forced labour and identify companies and sectors at risk of widespread human rights abuses. This initiative is coordinated by the Interfaith Center for Corporate Responsibility (ICCR) and Rathbones Investment Management. Ethos engaged in direct dialogue with two companies within the investor group. These companies were open to dialogue in 2021 and 2022 and explained their approach to excluding forced labour in supply chains. One of the companies also signed the call to action co-sponsored by a coalition of NGOs, which fulfils the main requirement of the commitment.

6.13 LETTERS TO ENCOURAGE UK COMPANIES TO REPORT AS REQUIRED BY THE MODERN SLAVERY ACT

In March 2022, the EEP International and a group of institutional investors, coordinated by Rathbones Investment Management, 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. At the beginning of each year, an analysis is made to identify companies in the FTSE 350 that are not in compliance with this law. By the end of December 2021, 59 of the 61 targeted com-

panies had complied with the requirements of the Modern Slavery Act. By the end of December 2022, 41 of the 44 targeted non-compliant companies were compliant to the Act. The letters were signed by a total of 117 investors, representing a total of CHF 10'557 billion in assets. In December 2022, the initiative was recognised by the Principles for Responsible Investment (PRI) as the "Stewardship Initiative of the Year" for 2022.

6.14 INVESTOR INITIATIVE FOR RESPONSIBLE CARE

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 133 institutional investors representing USD 3'800 billion in assets under management. The commitment targets more than 50 publicly traded nursing home companies. The focus in 2022 is on companies managing nursing homes in France.

6.15 INVESTOR STATEMENT ON FACIAL RECOGNITION TECHNOLOGY

The EEP International and a group of institutional investors, coordinated by Candriam, sent an investor statement on responsible facial recognition technology to over 25 companies in November 2021. The statement calls on companies to identify and reduce the human rights risks associated with their products. Along with 20 other investors, the EEP International joined the Corporate Dialogue Working Group and was selected to lead the dialogue with one company. After a first phase of intensive engagement, a report on the first interim targets was published in October 2022 and the second phase of engagement has been planned. The initiative is supported by 55 institutional investors with assets under management of USD 5 trillion.

6.16 INVESTOR LETTER TO TACKLE CONFLICT MINERALS IN THE SEMICONDUCTOR SUPPLY CHAIN

In November 2021, the EEP International and a group of institutional investors, coordinated by Steward Investors, sent letters to more than 25 information and communication technology companies. The letters ask the companies to introduce and extend good practice in responsible mineral sourcing in the semiconductor supply chain. All companies were asked to improve the issue of traceability. An intensive engagement took place in 2022. The initiating organisation met personally with 9 companies. Meetings were also held with industry associations. The initiating organisation was the first known investor to participate in the annual conference of the Responsible Minerals Initiative (RMI). The initia-

tive is supported by 160 investors with assets under management of USD 6'590 billion.

6.17 INVESTOR ENGAGEMENT ON PAID SICK LEAVE AT US COMPANIES

In January 2022, the EEP International and a group of institutional investors sent letters to 40 US companies asking them to be more transparent about their paid sick leave policies. The first phase of intensive engagement included conference calls to communicate best practices, as well as the filing of a few shareholder resolutions. In November 2022, planning for the second phase of engagement to intensify shareholder resolutions took place. The initiative is coordinated by the Interfaith Center on Corporate Responsibility (ICCR) and supported by 150 institutional investors with assets under management of USD 3'600 billion.

6.18 DIGITAL INCLUSION COLLABORATIVE ENGAGEMENT

The EEP International and a group of institutional investors sent an investor statement in August 2022 to 150 digital technology companies urging them to make a public commitment to the ethical use of artificial intelligence. The World Benchmarking Alliance (WBA) is coordinating this initiative signed by 39 investors representing USD 6'300 billion in assets under management.

6.19 ADVANCE - INVESTOR INITIATIVE FOR HUMAN RIGHTS AND SOCIAL ISSUES

The EEP International and a group of institutional investors, coordinated by the Principles for Responsible Investment (PRI), joined the much-anticipated Advance Investors initiative for human rights and social concerns in June 2022. This five-year collective engagement campaign was officially launched on 1 December 2022 and calls on 40 companies in the metals and mining and renewable energy sectors to promote human rights and implement the UN Guiding Principles on Business and Human Rights. Following a demanding process, the Ethos Foundation was chosen as lead investor for two companies in the renewable energy sector. A presentation email to investors was sent in December 2022. The initiative is supported by 220 institutional investors with USD 30'000 billion in assets under management.

6.20 INVESTOR LETTER FOR EU CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE

In November 2022, the EEP International and a group of institutional investors issued a statement in support of an ambitious and effective EU Corporate Sustainability Due Diligence Directive. The statement contains five key recommendations to make the directive ambitious and consistent with the EU's sustainable development objectives as well as international standards such as the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. The statement is coordinated by PRI, Eurosif and the Investor Alliance for Human Rights. It is supported by 142 institutional investors with USD 1'500 billion in assets under management.

Since the publication of this investor statement, the Council has agreed on a general orientation of the CSDD. The European Parliament intends to vote on the text in March 2023.

7. Corporate governance

Corporate governance is a major topic in the implementation of corporate sustainability strategies as it is the central instrument for managing the ethical, environmental, and social risks that a company faces. The objectives of the commitment to this topic cover:

- **The composition and functioning of the board of directors:** Companies should ensure that there is a balance of skills on the board, that there is sufficient independence, that there is sufficient diversity and that the board is regularly renewed.
- **Management remuneration policies:** The dialogue aims at improvements in the transparency of these remuneration policies as well as the introduction of environmental and social performance criteria.
- **Tax responsibility:** Companies should develop a responsible tax strategy by committing to pay taxes in the countries where they operate and make profits.
- **Digital responsibility:** Companies must, among other things, respect the highest standards of data processing and protection, implement ethical principles for the use of artificial intelligence and ensure a fair and responsible social transition.
- **Shareholder rights:** protection of shareholder rights, such as the right to participate in the general meeting and the right to table a shareholder resolution.



7.1 LETTER TO ASSET MANAGERS TO ENCOURAGE VOTING AT AGM

Each year, a few weeks before the general meeting season, Ethos encourages the EEP International members to contact their asset managers to exercise the voting rights of their portfolio shares. Ethos is preparing a model letter that the EEP International members can send directly to their asset managers asking them to support certain shareholder resolutions presented at the general meetings of international companies. These resolutions ask companies, for example, to present a financial plan for a 2°C global warming scenario or to set ambitious greenhouse gas reduction targets. The letter also asks managers for more information on how voting rights are exercised.

7.2 TAX RESPONSIBILITY AT 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 requests were made:

1. the responsibility for tax strategy lies with the board of directors.
2. the principles of fiscal responsibility are embedded in a specific policy that is publicly available.
3. the company pays its taxes where the economic value is generated.
4. Intra-group transactions are conducted at market conditions.
5. the company publishes 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 also signed by the 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. Unfortunately, the awareness of the targeted companies to increase transparency in their tax practices is slow. For this reason, the EEP International decided to support a shareholder resolution with Amazon in 2022. The resolution called on the company to adopt the Global Reporting Initiative (GRI) tax standards and to implement country-specific tax reporting. Amazon did not agree to put the resolution on the agenda of the general meeting. Ethos therefore contacted the company several times to urge it to accept the resolution. In addition, Ethos and the EEP International signed a letter asking the SEC to prevent Amazon from refusing the resolution at the AGM. Amazon's AGM took place on 25 May. The resolution was supported by 21% of independent shareholders. This is an important success that should

serve as a wake-up call to Amazon to work seriously on the tax issue.

7.3 COALITION URGING A RESPONSIBLE EXXON

The EEP International and a group of institutional investors, coordinated by the Foundation As You Sow, 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 their 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. In May 2021, the investor group published a comprehensive document with concrete recommendations for improving ExxonMobil's governance and strategy. At the end of May 2021, at the annual general meeting, three board members were removed and replaced by three new, more progressive board members, against the wishes of the governing bodies. In December 2021, As You Sow published an evaluation of the new board, making it clear that progress had been made, but that there was still much to do. In January 2022, the company published its first climate strategy and announced its ambition to achieve net zero emissions by 2050.

8. Breaches of international norms

For institutional investors, violations of international standards by companies in their portfolios represent both a reputational and an investment risk. This is why Ethos is conducting an engagement campaign against violations of international standards that targets companies that commit serious and/or systemic violations of international minimum standards of good conduct in the areas of human and labour rights, the environment and anti-corruption. The ten principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises serve as the normative basis. The selection of companies is based on the existing Ethos process for identifying controversies. The objective of the dialogue is defined as follows:

- Elimination and proven remediation of the violation and improvement of the management processes to avoid a new violation.

If the objective is not achieved within a reasonable period, Ethos recommends the exclusion of the company in question from the investment universe.



8.1 CAMPAIGN 2022

In September 2022, the EEP International launched a new engagement campaign to urge several companies that have seriously violated international standards or have repeatedly violated them to take action to remedy these violations. Specifically, the following requirements have been defined:

- Removal of the violation.
- Improvement of management processes to avoid further violations.
- Possibly additional company-specific targets.

At the beginning of this multi-year campaign, EEP International sent introductory letters to the board chairs of the target companies. By the end of 2022, an intensive dialogue had been initiated with eight of the nine companies.

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