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## Charter

### Preamble

Sustainable development implies preserving the physical basis of life, sustainably conserving natural resources, integrating everyone into civil society and safeguarding the interests of future generations. Various institutional investors, in particular pension funds, recognize that adherence to the concept of sustainable development is an essential prerequisite for ensuring economic and social prosperity and have therefore joined the Ethos Foundation.

The Ethos Foundation pursues the following two goals:

1. Promote sustainable development principles and corporate governance best practice in investment activities.
2. Promote a stable and prosperous socio-economic environment that works for the benefit of civil society as a whole and safeguards the interests of future generations.

### Promote socially responsible investment

Ethos shares the view that any financial investment also implies responsibilities – first and foremost to be a diligent and active investor. In addition, institutional investors have a fiduciary duty toward their beneficiaries. In this context, Ethos favours a long-term investment horizon that supports socially responsible investment (SRI).

For Ethos, the effectiveness and credibility of this strategy requires being a long-term investor. Ethos also commits to applying good governance as well as social and environmental responsibility in its own activities.

Implementation of the SRI approach is based on the six steps below.

#### 1. Application of exclusion criteria

Ethos applies two types of exclusion: sector-based exclusions and exclusions based on major controversies.

Sector-based exclusions apply to sectors of activity considered to be incompatible with the values of the Foundation. Companies that realise a significant part of their turnover or revenues in such a sector, or that can be considered major players in it, are excluded from portfolios.

Exclusions based on major controversies relating to the concept of sustainable development are decided when a company commits serious human rights violations or causes serious harm to the environment.

## **2. Taking into account environmental, social and governance criteria**

SRI management is based not only on traditional financial criteria, but also on environmental, social and governance criteria. Generally speaking, Ethos assesses a company's sustainability by analysing its exposure to economic, social and environmental issues, and the manner in which the company manages these issues. The company's strategy is analysed with regard to the transparency of the information provided, the clarity and coherence of its mission statement, and senior management's vision and skills. Ethos adopts a best-in-class strategy whereby its portfolios include the best companies from an extra-financial viewpoint.

The analysis of environmental sustainability considers the impact of the company's activities on the natural environment; the company's strategy, environmental management system and the life cycle of its products and services are given careful scrutiny. The analysis of social sustainability assesses the company's relations with all its stakeholders, in particular its employees, customers, suppliers, civil society and shareholders. Corporate governance is assessed by analysing shareholder rights, the composition and functioning of the board of directors and the structure of the remuneration system.

## **3. Exercising shareholder voting rights**

Responsible shareholders must actively exercise their rights, particularly voting rights. Indeed, these rights have a value, and exercising them is a fiduciary duty. To this end, Ethos establishes voting guidelines based on the concept of sustainable development and on the codes of best practice for corporate governance. These guidelines focus in particular on transparency, respect for shareholder rights, equal treatment of shareholders, the composition and functioning of the board of directors, the alignment of interests in terms of executive remuneration and the independence of control mechanisms.

While setting high standards for the expected attitude of companies toward their shareholders and other stakeholders, the voting guidelines also take into account the local practices regarding legal framework, corporate governance and awareness of environmental and social challenges.

## **4. Engaging in dialogue with company management**

Ethos considers dialogue with company management to be an integral part of the SRI approach. The objective is to encourage managers to adopt strategies fostering continuous progress, in particular in the fields of corporate governance and environmental and social responsibility.

For Ethos, the priority is discreet, long-term dialogue. Whenever possible, Ethos raises issues proactively rather than reactively. In addition, Ethos engages in dialogue with a broad universe of companies rather than targeting a specific company.

## **5. Participating in investor groups**

Ethos will collectively act with other institutional investors that share the same values by participating in permanent investor groups and supporting ad hoc initiatives.

Whenever necessary, Ethos will join international investor groups aiming to raise company awareness on specific topics concerning corporate governance or environmental and corporate social responsibility.

## 6. Submitting shareholder resolutions at annual general meetings

When confidential dialogue with companies does bear fruit, Ethos may be prompted to escalate its action, in particular by tabling a shareholder resolution at the annual general meeting. In such cases, Ethos makes a special effort to promote the resolution nationally and internationally in order to make as many shareholders as possible aware of the issue to send a clear signal to the senior management of the company concerned.

### Promote a stable and prosperous socio-economic environment

Collective well-being is closely linked to sustainable development policy at macro-economic level. At the same time, individual action is required to ensure the implementation and success of sustainable development.

This observation reinforces Ethos Foundation's conviction that investment activities can constitute an effective framework for contributing to collective well-being. By adopting an investment policy based on the concept of sustainable development, investors promote a stable and prosperous socio-economic environment. It is in this spirit that Ethos has decided to promote such an environment.

Most people are concerned by the challenges related to investment activities, either directly, because of their private savings, or indirectly, through the assets they mandatorily hold via the pension system. As a result, an individual can be a multiple stakeholder simultaneously. For example, he or she may be a shareholder because his or her pension fund has invested in the company, a customer of the company's products or services, a company employee or one of its suppliers, as well as a member of civil society and as such a beneficiary of the taxes paid by the company.

It is especially urgent and important to raise awareness of all those with a stake in a sustainable socio-economic environment, in particular civil society. According to Ethos, any initiative to that end must be supported with a view to safeguarding the interests of future generations. In addition, Ethos conducts and publishes studies on areas within its area of expertise.

Ethos may decide to set up any type of structure in order to achieve its goal of promoting a stable and prosperous socio-economic environment for the benefit of all.

*Charter of February 1997, modified in September 2007 and in September 2012.*