ethos

EXCLUSION CRITERIA
2026

The Ethos Foundation is composed of more than 250 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:

PRI Principles for Responsible Investment

Ethos Services provides advisory services in the field of socially responsible investments. Ethos Services offers socially responsible investment funds, analyses of shareholders' general meetings with voting recommendations, a 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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Exclusion criteria

Ethos, in application of its charter, which is based on the concept of sustainable development and encompasses in particular the principles of respect for human beings and the social context within which they live, as well as respect for the natural environment, excludes investment in companies that are active in certain sensitive sectors or that by their conduct get involved in systematic violations of the main international conventions signed by Switzerland or of one of the 10 principles of the UN Global Compact.

The exclusion thresholds in this version (June 2026) comply with ESMA's guidelines on the use of ESG or sustainability terms in fund names and cover the exclusion criteria for Paris-aligned Benchmarks (PAB), namely Article 12(1), points (a) to (g) of Commission Delegated Regulation (EU) 2020/1818.

Exclusion criteria approved by Ethos in December 2007, amended in September 2016, March 2020, September 2021, October 2022 and September 2025.

THIS SECTION IS CURRENTLY BEING IMPLEMENTED, SUBJECT TO THE NECESSARY AUTHORISATIONS.

1. Principle of product-based exclusion

PRINCIPLE 2: EXCLUDE COMPANIES WHOSE PRODUCTS ARE INCOMPATIBLE WITH THE VALUES DEFINED

Ethos excludes from its investment solutions companies whose products are incompatible with the values of the members of the foundation as listed in the Ethos Charter.

Product-based exclusions apply to sectors considered incompatible with the values and aims of the Ethos Foundation.

As a rule, companies that generate 5 % or more of their turnover in one of the sectors listed below are automatically excluded from the investment solutions (funds and indices) proposed by Ethos.

Exclusion thresholds and criteria may, however, vary from one sector to another – in particular for regulatory reasons – and are therefore defined specifically and precisely for each of them.

Furthermore, when a company generates 5 % or more (or any other predefined threshold) of its turnover across several sensitive sectors, without any single sector reaching this threshold on its own, Ethos also reserves the right to exclude that company from its investment solutions (aggregation principle).

Finally, Ethos reserves the right to exclude a company when the reduction of its turnover related to a sensitive sector below a predefined exclusion threshold is not directly linked to a voluntary strategy, but results from other factors, such as fluctuations in commodity prices or temporary facility closures for maintenance purposes.

As a general rule, the exclusion thresholds set by Ethos apply to the products and services in question as defined, as well as to the production of components or services that are essential and specific to them, namely:

- Essential components or services: all products or services without which the activity targeted by the exclusion could not take place;
- Specific components or services: all products or services that are specifically and exclusively designed for the activity targeted by the exclusion. Any product or service with multiple or non-exclusive uses does not fall within this definition.

1.1 WEAPONS

The mass production of weapons generally runs counter to the principle of respect for human beings and poses the threat of large-scale environmental destruction. Although weapons can be used for legitimate defensive and peacekeeping purposes, their end use and final recipients are often difficult to determine. Ethos is convinced that its investments for sustainable development must not contribute to expanding this sector.

In international humanitarian law, a distinction is made between conventional and non-conventional weapons. Ethos excludes companies active in both conventional and non-conventional weapons from its investments.

1.1.1 CONVENTIONAL WEAPONS

DEFINITION

Conventional weapons refer to the production of weapons and directly related ancillary equipment used by combat and defence forces, in accordance with international humanitarian law. This includes the manufacture of strategic equipment (aircraft, missile warheads, rockets, etc.) and systems essential for the launch and guidance of missiles, as well as electronic defence equipment critical for the operation of such military hardware.

EXCLUSION THRESHOLD

Companies that generate 5 % or more of their turnover in this sector are excluded.

1.1.2 NON-CONVENTIONAL WEAPONS

DEFINITION

Non-conventional weapons refer to the production of weapons and ancillary equipment that are either expressly prohibited or do not respect the fundamental principles of international humanitarian law.

This category includes:

- Illegal weapons

  These are weapons whose production and/or use are prohibited by international accords and conventions, such as the Treaty on the Prohibition of Nuclear Weapons, or weapons prohibited by the Swiss Federal Act on War Materiel. These include primarily chemical, biological, and nuclear weapons, as well as cluster munitions and anti-personnel mines.

- Weapons that breach the fundamental principles of international humanitarian law

  In addition to the weapons listed above, this category includes primarily incendiary weapons and munitions containing depleted uranium or white phosphorus, among others. This is because these weapons do not permit the distinction between civilian and military objects, combatants and non-combatants, or cause unnecessary or superfluous suffering to combatants (principle of proportionality).

EXCLUSION THRESHOLD

Companies active in the production of such weapons are excluded regardless of their level of involvement or turnover.

1.2 TOBACCO

Because of the health problems associated with tobacco use, the costs of which are largely borne by civil society, Ethos does not wish to contribute to this sector and therefore excludes it from its investment solutions.

DEFINITION

The tobacco criterion covers the cultivation of tobacco and the production of cigarettes, cigars, and pipe tobacco, as well as companies whose primary activity is to trade in tobacco and/or to distribute unprocessed tobacco wholesale to cigarette manufacturers, and to sell tobacco directly to end consumers. This definition also includes the production of electronic cigarettes that may contain nicotine and smokeless tobacco (heated or oral tobacco products).

EXCLUSION THRESHOLDS

Companies active in the cultivation and production of tobacco are excluded regardless of their level of involvement or turnover.

Companies that generate 5 % or more of their turnover from the trading, wholesale distribution, or retail sale of tobacco are excluded.

1.3 GAMBLING

Because of the potentially destructive nature of gambling (organised crime, money laundering, etc.) and its negative impact on individuals and their families, Ethos excludes companies active in this sector from its investment solutions.

DEFINITION

The gambling criterion covers the operation of casinos, racecourses, online gambling and betting platforms, as well as the production of slot machines and the provision of credit on casino premises.

EXCLUSION THRESHOLD

Companies that generate 5 % or more of their turnover in this sector are excluded.

1.4 PORNOGRAPHY

Pornography is contrary to the principle of respect for human dignity and potentially destructive in nature (links with organised crime, discrimination, and sexual violence, etc.). Ethos therefore excludes companies active in this sector from its investment solutions.

DEFINITION

The pornography criterion covers the production of representations of sexually degrading acts that violate human dignity, as well as the active distribution of such material through various channels such as the media, shops, or the internet.

EXCLUSION THRESHOLD

Companies that generate 5 % or more of their turnover in this sector are excluded.

1.5 GENETICALLY MODIFIED ORGANISMS (GMO) IN THE AGROCHEMICAL INDUSTRY

Ethos considers that the development and/or production of GMOs represents a major risk to sustainable development and therefore excludes companies active in this sector from its investment solutions. This exclusion is based on several fundamental concerns: the risk of biodiversity erosion linked to the reduction in the genetic diversity of crops, as well as the negative social impacts on farmers – particularly in developing countries – resulting from their dependence on large agrochemical companies holding patents on these seeds.

DEFINITION

The GMOs criterion covers the development of genetically modified organisms and the production of transgenic seeds in the agrochemical sector. The exclusion does not apply to the medical field.

EXCLUSION THRESHOLD

Companies that generate 5 % or more of their turnover in this sector are excluded.

1.6 NUCLEAR ENERGY

Nuclear energy presents risks both in terms of the hazards related to the widespread dissemination of radioactive elements in the event of an accident and of the unresolved problem of nuclear waste passed on to future generations. Ethos does not want to promote this sector with its investments, as it presents major risks and has effects that may be a burden for several generations to come. Ethos therefore excludes it from its investment solutions.

DEFINITION

The nuclear energy criterion covers the production of nuclear fission energy, the construction and operation of nuclear power plants and reactors, the storage and reprocessing of radioactive waste, as well as the supply of nuclear fuel and uranium mining.

EXCLUSION THRESHOLD

Companies that generate 5 % or more of their turnover in this sector are excluded. Activities related to nuclear waste treatment, the decommissioning of power plants, and site clearance do not fall within the scope of the exclusion.

1.7 COAL

The extraction of coal and its use for electricity generation (from thermal coal) or steel production (from metallurgical coal) constitute one of the most significant sources of greenhouse gas (GHG) emissions, contributing substantially to global warming. As a result, the 2015 Paris Agreement, which aims to limit global warming to 1.5 °C above pre-industrial levels, implies that a large portion of the world's coal reserves will not be exploitable. Ethos therefore considers coal to represent an unacceptable environmental and financial risk and excludes it from its investment solutions.

1.7.1 COAL EXTRACTION

DEFINITION

The coal extraction criterion covers the exploration, mining, extraction, distribution, storage, and refining of coal.

EXCLUSION THRESHOLDS

Companies active in the development of new coal exploration and extraction projects, such as the creation of new mines or transport networks, are excluded regardless of their level of involvement or turnover.

In line with the European Union's Paris-Aligned Benchmarks (PAB) regulation, companies generating 1 % or more of their turnover from the exploration, mining, extraction, distribution, storage, or refining of coal, whether thermal or metallurgical, are excluded.

1.7.2 THERMAL COAL-BASED ELECTRICITY GENERATION

DEFINITION

The thermal coal-based electricity generation criterion covers all activities related to the use of coal for electricity production, including the construction, operation, and modernisation of coal-fired power plants.

EXCLUSION THRESHOLD

Companies that generate 5 % or more of their turnover in this sector are excluded.

1.8 LIQUID AND GASEOUS FOSSIL FUELS

Like coal, the combustion of gas and oil is one of the principal sources of GHG emissions and must therefore be significantly reduced to limit global warming to 1.5 °C.

1.8.1 OIL

Given the measures required to contain global warming today, Ethos considers oil to represent a significant environmental and financial risk and therefore excludes this sector from its investment solutions.

This also applies to service providers involved in the transport of oil by pipeline and the storage of conventional and non-conventional oil, who directly and actively contribute to the development of this energy source. This is primarily because the construction of such infrastructure raises serious concerns regarding environmental and health risks in the event of an accident, and because its development also infringes, in many cases, on the rights of indigenous communities.

DEFINITION

The oil criterion covers the exploration, extraction, storage, refining and distribution of liquid fuels, whether extracted by conventional or non-conventional means (for further information, see section 2.8.3).

EXCLUSION THRESHOLDS

Companies active in the development of new oil exploration and extraction projects, such as the creation of new wells or pipelines, are excluded regardless of their level of involvement or turnover.

In line with the PAB regulation, companies generating 10 % or more of their turnover from the exploration, extraction, distribution (including retail), storage, and refining of oil are excluded.

1.8.2 GAS

Although gas emits less CO_2 per unit of energy than coal or oil, methane leaks throughout the supply chain contribute substantially to global warming, thereby reducing the apparent environmental advantage of this fuel. According to the Intergovernmental Panel on Climate Change, the methane released – particularly during extraction operations – has a warming potential that is approximately 25 times greater than that of CO_2. Given the measures required to contain global warming, Ethos considers gas to represent a significant environmental and financial risk and therefore excludes this sector from its investment solutions.

This also applies to service providers involved in the transport of gas by pipeline and the storage of conventional and non-conventional gas, who directly and actively contribute to the development of this energy source. This is primarily because the construction of such infrastructure raises serious concerns regarding environmental and health risks in the event of an accident, and because its development also infringes, in many cases, on the rights of indigenous communities.

DEFINITION

The gas criterion covers the exploration, extraction, storage, manufacturing, and distribution of gaseous fuels, whether extracted by conventional or non-conventional means (see section 2.8.3 for further information).

EXCLUSION THRESHOLDS

Companies active in the development of new gas exploration and extraction projects, such as the creation of new wells or pipelines, are excluded regardless of their level of involvement or turnover.

In line with the PAB regulation, companies generating 50 % or more of their turnover from the exploration, extraction, storage, distribution (including retail), and refining of gas are excluded.

1.8.3 NON-CONVENTIONAL LIQUID AND GASEOUS FOSSIL FUELS

Given their substantially greater ecological impact compared with conventional liquid and gaseous fossil fuels, Ethos specifically identifies companies active in non-conventional fossil fuels: oil from oil sands, oil and gas extracted by hydraulic fracturing, in the Arctic, or in ultra-deep waters.

1.8.3.1 OIL SANDS

The extraction of oil from oil sands releases large quantities of greenhouse gases, leads to the destruction of ecosystems, and causes considerable air, water, and soil pollution. Despite the requirements of certain legislation and the commitments made by several companies, the rehabilitation and restoration of extraction sites has only been carried out for a very small proportion of the affected areas.

Definition

The oil sands criterion covers all activities related to the exploitation of this resource, including exploration, mining, the refining of bitumen into oil, and the storage and distribution of products derived from this process.

It also covers activities relating to heavy and extra-heavy crude oil, defined as crudes with a density, expressed in API degrees (American Petroleum Institute scale), of between 22° and 10° API for heavy crude oil, and below 10° API for extra-heavy crude oil.

Exclusion thresholds

Companies active in the development of new oil sands exploration and extraction projects, such as the creation of new mines, wells, pipelines, or storage facilities, are excluded regardless of their level of involvement or turnover.

Companies generating 5 % or more of their turnover from the exploration, extraction, distribution, storage, and refining of oil sands are excluded.

1.8.3.2 HYDRAULIC FRACTURING

Hydraulic fracturing enables the extraction of oil and gas trapped in low-permeability rock formations, of which shale is the most common type. This process is particularly energy-intensive owing to the continuous high-pressure pumping of fluids to these formations at great depth. In addition, the fracturing process generates significant atmospheric methane emissions, primarily attributable to methane leaks occurring during the commissioning of wells and along transport infrastructure. These emissions are a critical concern given their substantial global warming potential.

This process also gives rise to contamination of groundwater by potentially carcinogenic agents contained in fracturing fluids, as well as soil degradation and destruction. It also depletes water resources in affected regions, as the considerable volumes of water mobilised are largely unrecoverable after use. Finally, hydraulic fracturing may increase local seismic activity, owing to the mechanical disturbances induced in rock formations and the re-injection of wastewater into the subsoil.

Definition

The hydraulic fracturing criterion applies to all activities related to the exploration, extraction, refining, storage, and distribution of hydrocarbons obtained through this process, as well as to the production of equipment and technologies required for its application. It also covers the same activities as applied to coal bed methane, the extraction of which requires large quantities of water to be pumped into coal seams to release the gas.

Exclusion thresholds

Companies active in the development of new oil and gas exploration and extraction projects using hydraulic fracturing, such as the creation of new wells, oil pipelines, gas pipelines, or storage facilities, are excluded regardless of their level of involvement or turnover.

Companies generating 5 % or more of their turnover from the exploration, extraction, distribution, storage, and refining of hydrocarbons obtained through hydraulic fracturing are excluded.

1.8.3.3 ARCTIC OIL AND GAS

Drilling for oil and gas in the Arctic involves considerable operational and financial risks due to the extreme conditions of this region. An unintended oil spill would endanger its unique ecosystem and affect the ecological balance worldwide. In addition, weather conditions would make it very difficult to organise relief efforts and restore extraction sites.

Definition

The Arctic oil and gas criterion covers the exploration, extraction, refining, storage, and distribution activities – both offshore and onshore – of hydrocarbons in the region above the Arctic Circle.

Exclusion thresholds

Companies active in the development of new Arctic oil and gas exploration and extraction projects – such as the creation of new wells, oil pipelines, gas pipelines, or storage facilities – are excluded regardless of their level of involvement or turnover.

Companies generating 5 % or more of their turnover from the exploration, extraction, distribution, storage, and refining of Arctic oil and gas are excluded.

1.8.3.4 ULTRA-DEEP-WATER DRILLING

Ultra-deep-water drilling carries considerable environmental risks and requires massive investment that cannot be justified in light of already available oil reserves. The principal challenge facing the industry is managing the immense pressure that exists at such depths. The risks are also significant for workers on these platforms. Weather conditions at offshore wells make accidents difficult to contain, potentially generating massive pollution. Deep and ultra-deep-water drilling carries a high risk of marine pollution, as extreme conditions complicate the management of accidents and amplify their impacts on biodiversity. In the event of an accident, if emergency teams fail to rapidly contain a spill and limit its impact, a massive dead zone can appear in the middle of the ocean. Furthermore, the process of installing drilling equipment in ultra-deep waters causes damage to the biosphere. Toxic chemicals such as mercury are released into the water during oil extraction, and the seismic waves triggered by drilling are harmful to many marine mammals.

Definition

The ultra-deep-water drilling criterion covers the exploration, extraction, refining, storage, and distribution of oil and gas at sea at depths greater than 1'500 metres.

Exclusion thresholds

Companies active in the development of new oil and gas exploration and extraction projects through ultra-deep-water drilling, such as the creation of new wells, oil pipelines, gas pipelines, or storage facilities, are excluded regardless of their level of involvement or turnover.

Companies generating 5 % or more of their turnover from the exploration, extraction, distribution, storage, and refining of oil and gas through ultra-deep-water drilling are excluded.

1.8.4 CARBON-INTENSIVE EMITTERS

The generation of electricity from fossil fuels such as conventional and non-conventional coal, oil, and gas constitutes one of the major sources of GHG emissions. This activity must therefore be reduced significantly to limit warming to 1.5 °C.

DEFINITION

The carbon-intensive emitter criterion applies to companies active in the generation of electricity from liquid or gaseous fossil fuels – whether extracted by conventional or non-conventional means – whose carbon intensity in electricity generation exceeds 100 grams of CO_2 equivalent per kilowatt-hour (100 g CO_2e/kWh).

EXCLUSION THRESHOLD

Companies generating 50 % or more of their turnover from electricity generation that exceeds the 100 g CO_2e/kWh threshold are excluded.

TABLE 1: EXCLUSION THRESHOLDS PER SECTOR / CATEGORY

SECTOR	CATEGORY	REVENUE THRESHOLD
Weapons	Production	5 %
	Associated activities*	5 %
Non-conventional weapons	Production	0 %
	Associated activities*	0 %
Tobacco	Cultivation or production	0 %
	Associated activities, including distribution	5 %
Gambling	Operation or production	5 %
	Associated activities*	5 %
Pornography	Production	5 %
	Associated activities*, including distribution	5 %
GMO	Development or production	5 %
	Associated activities*	5 %
Nuclear energy	Electricity generation	5 %
	Associated activities*	5 %
Coal	New projects	0 %
	Exploration, mining, extraction, refining or distribution	1 %
	Electricity generation	5 %
	Associated activities*	5 %
Oil	New projects	0 %
	Exploration, extraction, distribution or refining	10 %
	Associated activities*	10 %
Gas	New projects	0 %
	Exploration, extraction, manufacturing or distribution	50 %
	Associated activities*	50 %
Oil sands	Exploration, extraction, manufacturing, distribution or refining	5 %
	Associated activities*	5 %
Hydraulic fracturing	Exploration, extraction, manufacturing, distribution or refining	5 %
	Associated activities*	5 %
Arctic oil and gas	Exploration, extraction, manufacturing, distribution or refining	5 %
	Associated activities*	5 %
Ultra-deep-water drilling	Exploration, extraction, manufacturing, distribution or refining	5 %
	Associated activities*	5 %
Carbon-intensive emitters	Electricity generation**	50 %

* Production of components or services that are both essential and specific to those activities ('associated activities'). Essential means that the activity could not be carried out without them; specific means that they are exclusively designed for it.

** Companies generating 50 % or more of their turnover from electricity generation that exceeds the 100 g CO_2e/kWh threshold are excluded.

2. Principle of conduct-based exclusion

PRINCIPLE 3: EXCLUDE COMPANIES WHOSE CONDUCT SEVERELY VIOLATES THE FUNDAMENTAL PRINCIPLES DEFINED

Ethos excludes from its investment solutions companies whose conduct violates the fundamental principles of ethics and sustainable development.

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 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.

Listed companies are often multinational enterprises with a presence in multiple countries, either through their own operations or through their supply chains. In light of the impacts that these companies have on the economy, humans and the environment, it is important that they commit to respecting not only local laws but also the most important and universally recognised norms such as the Universal Declaration of Human Rights, the International Labour Organization Conventions, the OECD Guidelines for Multinational Enterprises, the UN Global Compact and the Rio Declaration on Environment and Development.

2.1 BUSINESS ETHICS

Business ethics is a necessary condition for the development of a stable and prosperous social and economic environment. Ethos believes that integrity should be a priority for the boards and executive managements of listed companies. The adoption of high standards in business conduct contributes to long-term growth and the convergence of economic, social and environmental objectives. Severe and repeated violations of business ethics principles can lead to the exclusion of a company.

EXCLUSION CRITERIA

Non-compliance with laws, corruption, distortions of free competition, misleading or false communication with the different stakeholders, money laundering, tax evasion or fraud, aggressive tax optimisation, fraud, abusive lobbying, or corporate complicity.

REFERENCES (NON-EXHAUSTIVE)

OECD Guiding Principles for Multinational Enterprises, UK Bribery Act, UN Convention against Corruption, UN Global Compact.

2.2 CORPORATE GOVERNANCE

Satisfactory corporate governance is fundamental for the appropriate functioning and continued existence of companies, in particular of listed companies where shareholders are often far removed from decision-making. This requires robust checks and balances to ensure the proper functioning of companies and financial markets. Non-compliance with certain fundamental principles of good corporate governance constitutes a major risk for shareholders and can thus lead to the exclusion of a company.

EXCLUSION CRITERIA

Multiple aspects of good corporate governance are not respected, in particular the poor protection of minority shareholders.

REFERENCES (NON-EXHAUSTIVE)

Corporate Governance Principles of the Ethos Foundation.

2.3 SOCIAL

Companies, in particular listed multinational enterprises which are active in a global environment, need to commit to socially responsible conduct. They need to respect national and international law, internationally recognized standards of best practice as well as human and labour rights. The respect for human rights must occur wherever the company operates directly but also in its supply chain, in particular when the company's sourcing represents a large part of the supplier's revenues. Human rights breaches in a company or in its supply chain can lead to the exclusion of a company.

EXCLUSION CRITERIA

Human rights breaches, discrimination, forced labour, child labour, impeding the freedom of association and the right to collective bargaining, poor and hazardous working conditions, and harm to World Heritage Sites.

REFERENCES (NON-EXHAUSTIVE)

UN Guiding Principles on Business and Human Rights, Universal Declaration of Human Rights, Conventions of the International Labour Organization, UN Global Compact, World Bank Group - Environmental, Health, and Safety (EHS) Guidelines.

2.4 ENVIRONMENT

Every company directly impacts the environment by using resources and producing waste, but also indirectly throughout the life cycle of its products from their development until their dismantling. Lack of respect for the precautionary principle in the production process or related to the use of the manufactured product can lead to exclusion of a company. In addition, companies which significantly contribute to global warming without taking meaningful action to mitigate their impact can also be excluded.

EXCLUSION CRITERIA

Major environmental damage, violation of the precautionary principle, outdated industrial production methods, non-conventional mining or oil production methods, contributing to global warming, quality of infrastructure, impacts on ecosystems and biodiversity.

REFERENCES (NON-EXHAUSTIVE)

Rio Declaration on Environment and Development, UN Global Compact.

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