# RULES GOVERNING THE SWISS RESPONSIBLE BOND INDEX (SRBI)

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 investments funds, analyses of shareholders' general meetings with voting recommendations, a program of dialogue with companies as well as environmental, social and corporate governance ratings and analyses. Ethos Services is owned by the Ethos Foundation and several members of the Foundation.

Certified B Corporation

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C1 Public

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# 1. Index overview

## 1.1 INTRODUCTION

The Swiss Responsible Bond Index ("SRBI") is a sustainable fixed income index composed of Swiss Franc (CHF) bonds listed on the SIX Swiss Exchange. The index is administered by Ethos Services SA ("Ethos"), which determines ESG ratings and exclusion criteria, and calculated by SIX Index AG ("SIX") in accordance with market standards.

## 1.2 INDEX OBJECTIVE AND CLASSIFICATION

The objective of the index is to promote investment in and financing for issuers that demonstrate relatively strong extra-financial performance according to the proprietary rating models developed by Ethos.

Pursuant to the AMAS Self-Regulation on transparency and disclosure for collective assets referring to sustainability (Version 2.2), the SRBI is classified as a sustainable index. It pursues an alignment objective achieved through "Exclusions" and "Best-in-Class" investment approaches. 100% of the index constituents are considered sustainable according to the methodology described herein.

## 1.3 INDEX UNIVERSE AND SELECTION CRITERIA

The universe of the SRBI is based on the composition of, the Swiss Bond Index AAA-BBB ("SBI AAA-BBB"). Therefore, the SRBI follows the SBI Rulebook for all matters not described in this document.

The selection process applies the following filters:

1. **Product-Based Exclusion:** Issuers generating revenues above defined thresholds in sectors incompatible with the values of the Ethos Foundation are excluded. These sectors include conventional and non-conventional weapons, tobacco, gambling, pornography, GMOs, nuclear energy, coal and conventional and unconventional fossil fuels. Ethos' exclusions take into account, among others, the exclusions required by the European Regulation on Paris-Aligned Benchmarks (EU PAB) or flagged by the Swiss Association for Responsible Investments (SVVK-ASIR). See details in section 3.2.
2. **Conduct-Based Exclusion:** Issuers involved in major controversies regarding corporate governance, human rights, or environmental responsibility, or those systematically violating the United Nations Global Compact (UNGC) principles, are excluded. See details in section 3.3.
3. **ESG Rating (Best-in-Class):** Only issuers with an Ethos ESG rating of B+ or higher (on a scale from A+ to C) are included. See details in section 3.4.

## 1.4 REFERENCE FRAMEWORK

The index methodology is grounded in the following binding documents:

- Ethos Foundation Charter ;
- Ethos Principles for Socially Responsible Investment (Ethos Principles);
- Ethos ESG Rating Methodology;
- Ethos Country Rating Methodology;
- United Nations Global Compact (UNGC) Principles;
- SVVK-ASIR Exclusion List;
- Article 12 of the European Regulation on Paris-Aligned Benchmarks (EU PAB).

## 1.5 STANDARDIZATION

The SRBI was launched with an initial value of 100 on March 28, 2024. The performance of the index between January 1, 2019 and March 28, 2024 is a backtested performance calculated by SIX.

## 1.6 REVIEW OF INDEX CONCEPT AND RULES

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

## 1.7 TERMINATION OF THE INDEX CALCULATION

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

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

# 2. Index variants

The SRBI is calculated using the Laspeyres index formula. The index level is calculated by dividing the market values of all index components by a divisor.

4 variants of the SRBI are currently calculated:

- Price return index
- Gross return index
- Yield index
- Duration index

While the 4 variants are shortly described below, further details related to the calculation of index values, formulas, definition of terms used and adjustments due to corporate actions can be found in Section 3 in the Methodology Rulebook Governing Bond Indices published and maintained by SIX.

## 2.1 PRICE RETURN INDEX

The nominal amount of the bond is multiplied by its clean price. The nominal amount is held constant within a trading day.

## 2.2 GROSS RETURN INDEX

The nominal amount of the bond is multiplied by its clean price corrected for the accrued interest for a given day.

## 2.3 YIELD INDEX

The yield is used to calculate the returns of an investment into a bond based on a given day's market price if it was held until Maturity or First Call. On an index level the weighted average yield over all bonds in the index is considered.

## 2.4 DURATION INDEX

The Macaulay duration is the weighted average of the time until all cash flows are received measured in years. The Duration Index weights the durations of all bonds in the index by their market capitalization.

# 3. Index composition

## 3.1 OVERVIEW

In order to meet the index objectives set under section 1.3, a component selection, performed by Ethos, is applied on top of the index composition of the base universe (the SBI). This selection is a combination of product-based exclusion, conduct-based exclusion, as well as the exclusion of low ESG ratings. Certain types of Asset-backed instruments are also excluded. Exceptions are described in section 3.6.

## 3.2 PRODUCT-BASED EXCLUSION

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

Ethos estimates the proportion of an issuer's revenues derived in different sectors / activities and applies a revenue threshold above which the issuer is excluded according to Table 1. The Ethos Principles, since their 5th edition, are aligned with the exclusions required by Article 12 of the European Regulation on Paris-Aligned Benchmarks (EU PAB) and go beyond them: the revenue thresholds applied by Ethos are at least as stringent as those of the EU PAB, and Ethos covers a broader range of sectors / activities than required by that regulation.

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

## 3.3 CONDUCT-BASED EXCLUSION

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

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

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

Only instruments from issuers with an Ethos ESG rating of A+, A- and B+ may be included in the SRBI.

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

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

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

For sovereign or regional issuers, Ethos evaluates the management of risks, the environmental footprint and social challenges, such as inequality, human rights and decent living conditions, as well as the management of structural risks linked to governance.

The ESG assessment considers sovereign issuers performance on the three core sustainability pillars (E/S/G), while ensuring that minimum international law and human rights requirements are met.

## 3.5 OTHER EXCLUSION

Instruments identified by SIX as Asset-backed securities are also excluded from the SRBI. Those types of instruments are identified with the SIX Bond Taxonomy Level 2 Code 62xxx. Further details related to the SIX Bond Taxonomy can be found in Appendix B in the Methodology Rulebook Governing Bond Indices published and maintained by SIX.

## 3.6 EXCEPTION

Instruments issued by the Swiss Pfandbrief institutes (identified with Segment Classification Swiss Pfandbrief) are not concerned by the rules mentioned under sections 3.2 to 3.5 and are therefore always included in the SRBI if included in the base universe (SBI).

Table 1: Exclusion thresholds per sector / category

| SECTOR | CATEGORY | REVENUE THRESHOLD |
|---|---|---|
| Armament | 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.

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

# 4. Index Maintenance

## 4.1 ORDINARY INDEX REVIEW

The base universe of the SRBI is the SBI. Therefore, the SRBI follows the composition of the SBI less the exclusions determined on a monthly basis by Ethos.

The review of the SRBI composition is effective at the first trading day of every month. Additions to and exclusions from the index are generally announced to the market on the 21st day of every month prior to the implementation in the index.

# 5. Organisation

## 5.1 INDEX ADMINISTRATOR

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

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

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

Email: gestion@ethosfund.ch
Phone: +41 (0)58 201 89 89

## 5.2 CALCULATION AGENT

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

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

SIX
Pfingstweidstrasse 110
CH-8021 Zurich

Email: indexsupport@six-group.com
Phone: +41(0)58 399 21 11

ethos

# 6. Static data

| NAME | SYMBOL | ISIN |
|---|---|---|
| Swiss Responsible Bond CHF Total Return | SRBIT | CH1337302322 |
| Swiss Responsible Bond CHF Price | SRBIP | CH1337302330 |
| Swiss Responsible Bond Yield | SRBIY | CH1337302348 |
| Swiss Responsible Bond Duration | SRBID | CH1337302355 |

# 7. Additional information

## 7.1 SIX WEBSITE

SIX Methodology Rulebook Governing Bond Indices:

https://www.six-group.com/dam/download/market-data/indices/bonds/six-methodology-sbi-index-rules-en.pdf

SIX webpage on the Swiss Responsible Bond Index:

https://www.six-group.com/en/market-data/indices/customized/swiss-responsible-bond.html

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

https://indexdata.six-group.com/custom/ethos_ch_responsible_bond.html

SIX index adjustments and announcements:

https://indexdata.six-group.com/adjustments_bonds.html

## 7.2 ETHOS WEBSITE

Ethos webpage on the Swiss Responsible Bond Index:

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

Ethos general publications:

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

# 8. Revision history

| VERSION / DATE | DESCRIPTION |
|---|---|
| 1.0 / 02.04.2024 | Index methodology at launch |
| 1.1 / 01.10.2026 | Classification of the index according to AMAS self-regulation in section 1 and integration of new exclusions criteria in sections 1 and 3 |

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