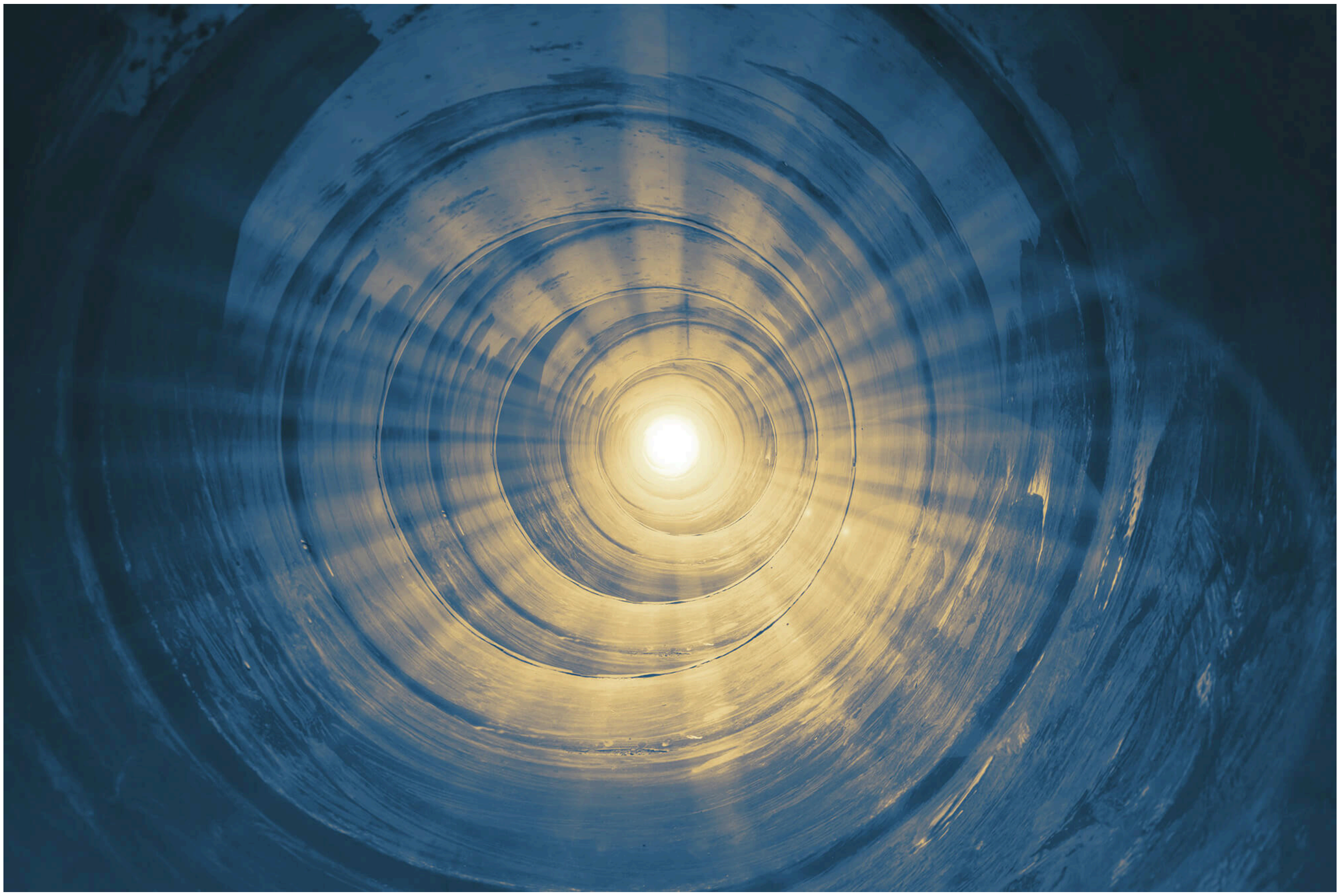
Turning point
ETHOS NEWSLETTER ON GOVERNANCE AND SUSTAINABILITY



EDITORIAL: Transparency is not a luxury

Excessive bureaucracy has long been denounced as a ‘problem’. More recently, however, sustainability has also been associated with this criticism. The regulations that govern it are now presented as the economy’s public enemy number one, at least by supporters of the anti-ESG movement. The regulations are said to weaken competitiveness, burden SMEs, stifle innovation and drive companies out of Europe.

Fuelled by former ECB President Mario Draghi, the Trump administration, Qatar and several multinational CEOs (TotalEnergies, Siemens, Exxon Mobil, etc.), this fear has led MEPs to review and amend two pillars of the European Union's ambitious action plan to combat global warming: the non-financial reporting (CSRD) and the due diligence (CSDDD) directives.

But let's refocus the debate on the purpose of this plan. Take, for example, the CSRD's reporting requirements. Responsible investors do not ask for relevant, quantitative, reliable and audited sustainability information because they enjoy paperwork or want to make life difficult for companies. They want to understand, analyse and evaluate how companies manage ESG issues, and to direct financial flows towards those who do so with the greatest conviction and who are committed to the energy transition.

Yes, it takes work. It is not easy for a company to measure its greenhouse gas (GHG) emissions, let alone those of its suppliers. But this effort is useful for both company management and shareholders. It allows the impact to be quantified and therefore managed more effectively. For many companies, publishing a sustainability report is also a way of systematising their actions and responding to growing demand from regulators and investors, as well as consumers and customers.

This transparency is more necessary than ever. The latest Ethos study on the sustainability reports of companies listed in Switzerland shows that the quality and clarity of information remain insufficient, despite recent obligations. This proves that without a robust framework, there is a strong temptation to remain vague or incomplete.

Obviously, as always, a happy medium must be found. Ethos has often spoken out in favour of reasonable and intelligent simplification of the rules, provided that they remain meaningful. However, it is precisely this substance that is now under threat, as demonstrated most recently by the European reforms (Omnibus package). If European regulation is weakened or simplified too much, sustainability will once again become a voluntary exercise, reserved only for the 'good students'. Without mandatory transparency, common standards and verifiable requirements, we will recreate a race to the bottom, penalising those who are genuinely investing in the transition compared to those who are merely doing the bare minimum.

In the United States, the dynamics are different, but the consequence is the same. Recent political, legal and administrative attacks on shareholder resolutions and proxy advisors are seen as a gradual expropriation of shareholder power. Some see this as a turning point: the US Securities and Exchange Commission (SEC), historically the guarantor of balance between management and shareholders, is now removing an essential tool that allows company owners to exercise healthy countervailing power over management, whose focus is often on maximising its own short-term interests.

This return to the origins of the agency conflict between owners and managers raises fears of a resurgence of financial scandals. Weakening European regulation and restricting the shareholder rights of American companies leads to the same outcome: less transparency, more concentrated power, fewer safeguards and therefore a greater risk of failure.

And if we take this logic to its conclusion, which sees every obligation as a bureaucratic burden, then even financial reporting could become optional. After all, why publish annual results if transparency is perceived as a problem?

LATEST NEWS

Unsurprisingly, COP30 in Brazil ended in disappointment. Although the richest countries agreed to triple their spending to help the poorest countries adapt to climate change, they failed to reach an agreement on phasing out fossil fuels. As Reuters reports, the outcome is ultimately similar to that of COP27 in Egypt and COP29 in Azerbaijan, where countries also agreed to spend more to combat climate hazards while ignoring their main cause.

Switzerland, as we know, is one of the countries that will be most severely affected by climate change. Climate specialists from the Federal Office of Meteorology and Climatology MeteoSwiss and ETH Zurich reiterated this in the new climate scenarios they published in early November.

After a pause in 2024, large international companies are once again setting targets for net-zero GHG emissions throughout their value chains, even in North America. This is according to a study published by Accenture. Among the world's 2000 largest public and private companies in terms of revenue, 41% have now set net-zero targets covering their Scope 1, 2 and 3 emissions, up from 27% in 2021. However, this trend has not prevented Zurich Insurance Group from following Swiss Re in withdrawing its commitment to have its climate targets validated by the Science-Based Target initiative (SBTi).

Within the European Union, the far right has joined forces with the centre-right (EPP) to weaken corporate sustainability and due diligence regulations more than expected through the 'Omnibus' legislative package. The Parliament's position thus raises the CSRD threshold to 1750 employees and 450 million euros in turnover (compared to 1000 and 50 million euros initially) and limits the CSDDD to only large companies with more than 5000 employees and 1.5 billion euros in turnover (compared to 1000 employees and 450 million euros initially). Tripartite negotiations (between the Parliament, Council and Commission) have resumed and are due to be concluded by 8 December.

Also in Europe, the Spanish bank ABANCA was the first to be fined 187'650 euros for failing to carry out a financial materiality analysis of climate and environmental risks. The European Central Bank (ECB) had set the end of 2024 as the deadline for banks to assess and manage these risks.

What should you do when the ethical investment guidelines you have set for yourself require you to sell certain securities in your portfolio? Answer: suspend the committee in charge of these guidelines. At least, that is what the Norwegian sovereign wealth fund, which manages more than 2 trillion US dollars in gas and oil revenues, decided to do in order to avoid having to sell its shares in Amazon, Microsoft and Alphabet because of their links with the Israeli government. According to the Financial Times (paywall article), this decision followed pressure from the US, which in turn followed the Norwegian fund's sale of Caterpillar shares after its bulldozers were used in the Palestinian territories.

In Switzerland, ASIP has just published its secod study (in German) on the application by Swiss pension funds of its ESG reporting standard, which came into force in 2023. Conducted by PwC, this study shows that in its first year of application, 51% of asset investments and 55% of all persons insured with Swiss pension funds are already included in a report on ESG criteria.

Finally, tax responsibility remains a key issue in responsible investment. A recent study by PwC shows that the 47 Swiss companies listed on the SMI Expanded index have improved their tax transparency compared to last year. Nevertheless, Swiss companies still have room for improvement in terms of transparency and aligning themselves with the evolving expectations of regulators and stakeholders.

GOOD NEWS

Fortunately, there is also good news. A study by US bank Morgan Stanley found that 86% of investors intend to increase the proportion of their sustainable investments over the next two years. According to the study, North American asset owners are the most likely to increase their allocations to sustainable investments. 90% responded affirmatively, compared with 82% of European asset owners and 85% of asset owners in the Asia-Pacific region.

Patagonia, for its part, is definitely not doing things like everyone else. The American clothing brand has published its first sustainability report ('2025 Work in Progress Report') with a focus on transparency and honesty. The report does not seek to celebrate victories alone, but also describes the limitations, contradictions and the road ahead. It reveals that 85% of products still lack an end-of-life solution and that GHG emissions increased by 2% in 2025. Overall, the exercise in transparency has been widely welcomed.

Finally, the anti-ESG movement in the United States is not winning every battle and, above all, it must still defer to the judiciary. For example, an American court of appeals rejected the American Chamber of Commerce's request to suspend a law requiring companies to report their GHG emissions, which is due to come into force in 2026. This law will require companies operating in California with revenues of more than 1 billion dollars to publish their Scope 1, 2 and 3 emissions annually, including those related to supply chains, business travel, employee commutes, purchasing, waste and water consumption.

ENGAGEMENT UPDATE

PROXY SEASON UPDATE

While the 2025 annual general meeting (AGM) season in the United States saw the number of shareholder resolutions related to ESG issues fall by 40% according to a recent analysis, this is nothing compared to what awaits us next year. The SEC has announced a significant policy change for the coming season: it will no longer issue no-action letters to companies wishing to exclude certain shareholder resolutions from their proxy materials. In other words, companies will have much greater leeway to refuse to include certain proposals on the agenda of their AGMs, starting with ESG resolutions.

The SEC has also announced that it will take steps to curb 'the politicisation of shareholder voting' by closely monitoring proxy advisory firms and large institutional investors. The SEC's chairman, Paul

On 20 November, members of the Swiss and International Ethos Engagement Pool (EEP) met in Bern for their respective annual meetings to review the dialogue activities carried out in 2025 and validate the priority engagement topics for 2026. In particular, they decided to launch direct engagement campaigns with Swiss and foreign companies on the theme of nature and biodiversity. Based on an Engagement Paper published in October, these campaigns will aim to encourage companies to integrate nature-related issues more effectively into their strategy, reduce their direct impact on biodiversity, implement sustainable management of their resources and supply chains, and demonstrate greater transparency in their reporting.

In a statement, the European investor network Shareholders for Change (SfC), of which Ethos is a member, expresses its deep concern about the SEC's decision to allow companies to exclude shareholder proposals from proxy documents without, in most cases, obtaining prior review or approval from the regulatory authority. SfC urges the SEC to reconsider its approach and restore a balanced, transparent and reliable process that protects the rights of shareholders, both large and small, to raise issues of financial and societal importance.

On 25 November, around 30 people gathered at the Ethos offices in Geneva to participate in a special side session organised alongside the 14th United Nations Forum on Business and Human Rights. Organised by the Labour Rights Investor Network (LRIN) with the support of EEP International, this session focused on the global challenges related to collective bargaining, the cornerstone of decent work, social stability and long-term value creation. Participants heard first-hand perspectives from workers, trade unions and advocates from different regions, including Africa and the United States, who highlighted the obstacles that continue to hinder workers' ability to organise and bargain collectively.

Atkins, told Fox Business that it was 'time to focus' on this area. This change comes as Republicans are putting increasing pressure on ISS and Glass Lewis, the two largest proxy advisory firms, including investigating whether their recommendations on diversity and inclusion and sustainability misled investors or violated antitrust laws.

On 20 November, Florida's Attorney General announced the filing of a new lawsuit, claiming that these two firms had violated consumer protection and antitrust laws by jointly promoting an 'ESG agenda' through their activities. The complaint alleges that these companies use their undue influence to impose a 'dogmatic agenda' by threatening companies with recommending votes against board members who do not comply with their policies in areas such as 'racial balance,' 'gender ideology' and 'climate change.'

FIGURE OF THE MONTH

This is the amount, in billions of dollars, that Elon Musk could earn if he achieves the twelve goals set by Tesla's board of directors for the next ten years. Despite calls from the Ethos Foundation and many responsible (and rational) investors to vote against this excessive variable remuneration package, a majority of shareholders (some of whom were physically present in Texas) ultimately approved it.

ETHOS NEWS UPDATE

For the second consecutive year, Ethos has published a study on the quality and level of transparency of sustainability reports by Swiss listed companies. Since 2024, these reports must be submitted to a vote by shareholders. Although progress has been made since the previous edition, particularly with regard to the auditing of these reports and the setting of science-based climate targets, the quality and level of transparency remain largely insufficient overall. As a result, Ethos recommended approving only 39.7% of the reports submitted to a vote this year.

Ethos has also published its voting guidelines and corporate governance principles for 2026, a key document on which Ethos bases all its voting recommendations. The main change concerns the approval of sustainability or climate reports. After two years of applying the new law giving shareholders the authority to approve the sustainability reports of Swiss listed companies, Ethos wished to clarify its reasons for rejection.

Ethos has updated its international equity index by working with a new partner: Solactive. This index, called the 'Solactive Ethos Screened Equity World ex-Switzerland Index', includes medium and large companies established in developed markets, with the exception of Switzerland. The index systematically excludes companies whose products or behaviour are deemed incompatible with the values of the Ethos Foundation.

Finally, in November, Ethos recruited four interns who will support and assist the governance analyst team during the 2026 AGM season, starting on 1 February.

Press review :

- Les rapports de durabilité éveillent l'esprit critique des investisseurs (L'Agefi, 19 novembre 2025)
- Les rapports de durabilité des entreprises suisses laissent à désirer (Le Temps, 19 novembre 2025)
- Ethos bewertet viele Nachhaltigkeitsberichte weiterhin kritisch (nau.ch, 18 novembre 2025)
- Elon Musk pourrait se voir accorder un plan de compensation de 1000 milliards de dollars : interview de Vincent Kaufmann (RTS Forum, 6 novembre 2025)
