NEWSLETTER N°4 - April 2025

Turning point

ETHOS NEWSLETTER ON GOVERNANCE AND SUSTAINABILITY

EDITORIAL: ESG is not dead

Let's face it, times are tough for sustainability, and the headwinds are not just blowing from across the Atlantic. Despite repeated attacks, threats and regulatory 'simplification', taking sustainability into account in investment decisions is far from dead. In fact, it is more necessary and useful than ever.

Of course, it's not all rosy. Sustainable funds saw record net outflows of $8.6 billion worldwide in the first quarter of 2025. Even Europe saw its first net outflow since 2018. These withdrawals can be explained by geopolitical factors and growing criticism of the effectiveness or politicisation of ESG. But they can also be explained by the ongoing reclassification of certain funds that do not meet sustainable standards, which is rather encouraging.

Most importantly, ESG remains strategically valuable for a growing number of companies that are incorporating it into their due diligence and risk management processes. Even the number of companies committing to net zero by 2050 continues to grow, while it is the divestments of a few big names that make the headlines.

The performance of sustainable funds is also becoming less and less controversial. Recent academic research has shown that ESG portfolios in Europe have been more resilient to market shocks, particularly during crises such as the pandemic or the war in Ukraine.

Finally, and perhaps most encouragingly, resistance to the anti-ESG backlash is growing. The WeAreEurope movement - which brings together companies, consultants and CSR stakeholders in Europe to propose an alternative model - already has more than 500 members in nearly 20 countries. The aim is to unite around various initiatives aimed at revitalising sustainability in Europe.

Even in the United States, a front is forming. New York City's pension funds have announced that they will no longer work with asset managers who have not adopted robust ‘net zero’ action plans. The irony is that it is the Trump administration's policies, particularly tariffs (if they are implemented), that could benefit the planet by slowing down international trade – and therefore maritime traffic – and encouraging many countries to move away from their dependence on fossil fuels by turning even more to renewable energies. In any case, ESG is not dead!

LATEST NEWS

While Katy Perry and her friends created a bad buzz by being catapulted into space by Jeff Bezos at a cost of millions of dollars (and tens of tonnes of CO2), the world of sustainable finance fortunately continued to spin.

Coincidentally, a study by Dartmouth College estimates that the world's 111 largest companies – including oil majors and Amazon – will have caused around £28 trillion of climate damage between 1991 and 2020. That's slightly less than the total value of all goods and services produced in the United States last year.

Meanwhile, the Net Zero Banking Alliance (NZBA), facing an exodus of its members, has decided to scale back its ambitions by dropping the requirement for its members to commit to the 1.5°C target. As for the Business Roundtable - a lobbying association of CEOs from some of the largest US companies -, it wants to ban shareholder resolutions related to environmental, social and political issues, in an unprecedented reversal of the ‘stakeholder capitalism’ it advocated until recently.

In Brussels, a coalition of NGOs has filed a complaint with the European Ombudsman, an independent EU oversight body, over the proposed simplification of sustainability legislation (‘Omnibus’). It accuses the European Commission of failing to assess the environmental and social impact of the legislative changes and of consulting industry lobbyists in closed-door meetings before publishing its proposal, while refusing to hold a public consultation.

The German asset manager DWS was fined €25 million in Germany in the greenwashing case that came to light in the United States in 2021. The company owned by Deutsche Bank had already been fined $19 million in the United States for exaggerating the ESG claims of its funds and misleading investors.

In Switzerland, the University of Geneva is conducting a research project on the evolution of the impact investment landscape. To inform its work, it is inviting participants to complete a 15-minute survey exploring perceptions, practices and motivations within the country's impact investment ecosystem.

STEWARDSHIP SPOTLIGHT

There is good news here too. In Switzerland, a majority of Tecan shareholders voted against the remuneration report at the 2025 AGM, a report that

GOOD NEWS

When meeting in London, the member states of the International Maritime Organisation agreed on a global carbon pricing system for emissions from the maritime sector. This is a first, as maritime transport was one of the only sectors (along with aviation) not regulated by the Paris Agreement. From 2028, ships will either have to use a mix of lower-carbon fuels or pay for excess emissions. The measure has yet to be formally adopted by the assembly in October. The United States withdrew from the negotiations before the vote.

Another first: renewable energy accounted for more than half of the electricity produced in the United States for the first time in March, proving that even in Donald Trump's country, green energy is increasingly

Ethos has always opposed, and which had already received a low level of support last year (77%) without the board of directors deeming it necessary to make any changes. This time, the board will have no choice and has already committed to reviewing the remuneration system.

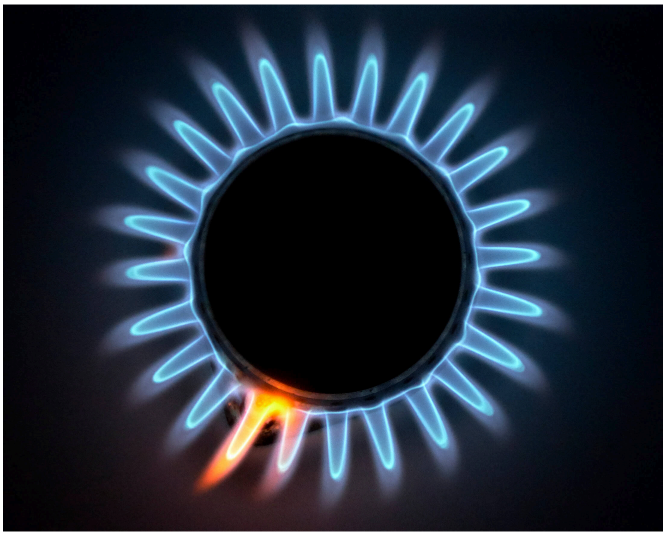
Nestlé's remuneration report was approved with only 73.7% of the votes, the lowest approval rate since the introduction of such a vote in 2009. It should be noted that a rate below 80% is generally considered to 'oblige' the board of directors to consult with its shareholders to revise its proposal.

However, the slap in the face of the month, as Novethic calls it in its paid article, goes to the chairman of BP, who was re-elected with only 73% of the vote, despite having already announced that he would not stand for re-election next year. One of the main issues was the board's decision to backtrack on its climate commitments, under pressure from investors who want BP to refocus on fossil fuels.

It is worth noting that the chairman of Nestlé, who faced several major controversies in recent years (Buitoni pizzas, mineral water in France), fared little better, being re-elected with only 84.8% of the vote.

replacing fossil fuels. However, this good news is tempered by a Bloomberg report which points out that the use of AI is expected to lead to a significant increase in electricity demand, much of which will be met by fossil fuels (and/or nuclear power). In this regard, it should be noted that Donald Trump has signed several executive orders aimed at reviving coal production in the United States...

Finally, also in the United States, 98% of Goldman Sachs shareholders rejected two shareholder resolutions that directly targeted the bank's diversity and inclusion policies.



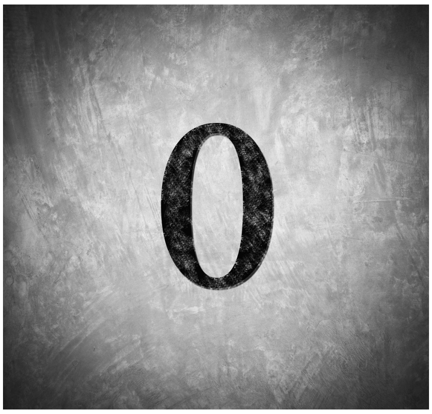


FIGURE OF THE MONTH

The announcement sent shockwaves through the world of sustainable finance. For the first time since 2016, Follow This has decided not to file any climate shareholder resolutions at the general meetings of major oil companies this year. In a press release, the Dutch NGO explained that while shareholder resolutions have been critical in compelling five oil majors to set emissions reduction targets, most institutional investors are [now] reluctant to use their voting rights. According to its founder, Mark van Baal, this is therefore a "strategic pause to get more investors on board and to discuss how to work together to uphold shareholder rights". It should be noted that this decision comes in a broader political context that has seen the number of ESG shareholder resolutions fall dramatically this year, particularly in the United States. For example, for the first time since the merger in 1999, no shareholder resolutions were filed at ExxonMobil's AGM.

ETHOS NEWS UPDATE

In early April, Ethos and the members of the Ethos Engagement Pool (EEP) International launched a dialogue campaign with the main asset managers operating in Switzerland to ensure that their voting rights are exercised at the general meetings of the companies in which they invest in accordance with their wishes and sensitivities.

With the general meeting season in full swing, Ethos CEO Vincent Kaufmann spoke at the general meeting of UBS and Nestlé in April. At the UBS meeting, he reminded the board of directors that shareholders expect Switzerland's only systemic bank to set an example in terms of governance, remuneration, capital adequacy and sustainability. At the Nestlé meeting, he recommended that shareholders oppose the discharge – in view of the continuing uncertainty surrounding the filtered mineral water scandal in France and the lack of information provided by the company on this issue – and vote against the remuneration proposals.

As a reminder, Ethos produces short videos in which it reviews the major ESG issues addressed at the general meetings of the largest listed companies in Switzerland and explains its voting positions. These videos are available on our LinkedIn account or on our website.

Finally, Ethos and the members of EEP International have decided to participate in a new collective engagement campaign, coordinated by Clean Air Fund and ShareAction, which aims to combat air pollution by encouraging international companies to better manage and reduce their air emissions. The air freight, logistics and construction sectors will be particularly targeted initially, before the dialogue is extended to include the metals, mining and construction materials sectors.

Press review :

- Nestlé und der Mineralwasser-Skandal: «Wir wollen wissen, wie gross das Problem ist», sagt der Ethos-Direktor: Our CEO explains why we opposed the vote on the discharge at Nestlé's AGM (NZZ, 16 April 2025)
- Une campagne pour améliorer le dialogue actionnarial: A paid article discusses our new campaign to engage with asset managers on voting at AGMs (Le Temps, 5 April 2025)
- UBS AGM in Lucerne: a report on Swiss German television about the UBS AGM (SRF, 10 April 2025)

Subscribe to the newsletter

The **Ethos Foundation** is composed of more than 250 Swiss pension funds and other tax-exempt institutions. Ethos was founded in 1997 and aims at promoting socially responsible investment as well as a stable and prosperous socio-economic environment.

PRI Principles for Responsible Investment

The company **Ethos Services** conducts advisory mandates in the field of socially responsible investment (SRI). Ethos Services offers institutional investors a wide range of SRI-funds. The company also provides analyses of general meeting agendas including voting recommendations, shareholder engagement programmes, as well as sustainability and corporate governance ratings and analyses of listed companies. Ethos Services is owned by the Ethos Foundation and several of its members.

Certified B Corporation