Turning point
ETHOS NEWSLETTER ON GOVERNANCE AND SUSTAINABILITY

EDITORIAL: Taking stock, calmly

Another year is coming to an end and it is time to take stock. Calmly. From an accounting perspective, 2025 was not a bad year. Quite the contrary, in fact: Ethos was able to maintain stable growth in its teams, exceeding forty employees for the first time.

From a morale perspective, however, the picture is more mixed. Ten years after the Paris Agreement was signed, the central objective of limiting global warming to 1.5°C now seems out of reach. The latest COP, held in Brazil this autumn, did little to restore hope, as did Donald Trump's return to power and his repeated attacks on sustainability and everything related to it.

In this context, it has not always been easy to identify 'good news' for a section that was intended to be central to this newsletter. And yet, on closer inspection, there are still reasons for hope: companies continue to set ambitious climate targets, shareholders mobilising to change the ESG practices of the companies they co-own, investors maintaining a strong interest in sustainable solutions, and public authorities strengthening sanctions against environmental damage and greenwashing.

So, despite what sustainability's detractors may say, the movement is well and truly underway, even if it sometimes moves against the tide. For Ethos and all those committed to a responsible economy, these challenges are above all an additional motivation: to continue promoting demanding and consistent sustainable finance, but also to distinguish ourselves clearly through our positions on a wide range of issues, including corporate governance, armaments, nuclear power, remuneration, and the capital adequacy of major banks.

Ethos is more motivated and convinced than ever and would like to take this opportunity to wish you a happy holiday season and an excellent 2026, with the hope that sustainability will once again take its rightful place at the heart of economic and financial decisions.

2025 REVIEW

The year 2025 began with Donald Trump's return to the US presidency. Along with him cam an anti-ESG, anti-sustainability, anti-inclusion and anti-diversity movement which quickly gained momentum. How surprising is this when the president of the world's leading power describes climate change as ‘the greatest hoax in history’ and denounces the ‘tyranny of inclusion and diversity programmes’?

This anti-ESG backlash has had very real consequences for sustainable finance. Major banks and asset managers, in the United States and elsewhere, have backtracked on their climate commitments. Multinationals have toned down or even abandoned their diversity and inclusion policies. Legal actions aimed at preventing investors from taking sustainability issues into account have multiplied. In the United States, fundamental shareholder rights, such as the right to propose resolutions or to take ESG criteria into account when exercising voting rights, are now under threat.

However, this movement does not only have negative effects. It has also made it possible to distinguish between those who are acting with conviction on environmental and social emergencies and those who have only embraced sustainability out of opportunism. It has also sparked a ‘backlash to the backlash’: several pension funds, notably in the UK (SME), the Netherlands (PGGM) and New York City, have already announced that they no longer wish to work with managers who do not take sufficient account of sustainability issues.

Back to the future?

Another notable development in 2025 is the resurgence of ESG issues that we thought, or at least hoped, were a thing of the past. First, there is the recurring debate about the inclusion of arms in sustainable investment strategies. Then there is nuclear power, which some present as the only solution for decarbonising the economy while meeting growing energy consumption, particularly linked to the development of artificial intelligence, even though renewable energies continue to advance. And finally, there is the excessive remuneration of certain company executives who, in Switzerland and abroad, have sometimes returned to levels not seen for many years, often without any credible link to the economic performance of the companies concerned.

On all these points, Ethos has never deviated from the values set out in its Charter and Principles for Responsible Investment, consistently denouncing abuses in its various position statements, studies and services.

In Europe, it was the ‘Omnibus’ saga that kept sustainable finance observers on tenterhooks. While the initial objective of simplifying and harmonising certain regulations (CSRD and CSDDD) may have seemed relevant, the outcome is quite different. And disappointing. Under intense lobbying pressure from multinationals and foreign governments, a substantial part of the initial ambition has been watered down, at the risk of reducing the scope of these texts.

ETHOS ACTIVITY REVIEW IN 2025

Despite facing these headwinds throughout 2025, Ethos remained committed to promoting responsible investment and the sustainable development of our economy.

To raise awareness of the challenges of sustainable finance and responsible investment among as many people as possible, the Ethos Foundation launched this monthly newsletter at the beginning of the year and rolled out its entire basic course on the fundamentals of sustainable finance. Available online in three languages, the course aims to help pension fund managers to better understand sustainability issues and their implications for investment policies.

Ethos was also very active during the annual general meeting (AGM) season, with in-person interventions at Novartis, UBS, Nestlé, Chubb Limited and Holcim, and online at the Swatch Group's 100% virtual AGM. Explanatory videos were also published to present voting recommendations and the main issues related to the AGMs of SMI companies.

Two studies were published in connection with the AGM season. The first, published in August, confirmed a marked increase in the remuneration levels of executives of Swiss listed companies. The second, published in November, analysed the quality of the sustainability reports of these same companies, which were put to a shareholder vote for the second consecutive year. While some progress has been made, particularly in terms of external verification and climate targets, overall transparency remains insufficient.

In September, Ethos published an Engagement Paper on nature, which is a reference document detailing its expectations of companies in terms of biodiversity protection. This text now serves as the basis for shareholder dialogue conducted by Ethos and the members of the Swiss and International Engagement Pools on an issue that has become as central as climate change.

Throughout 2025, Ethos also developed its services to meet the evolving needs of its clients. Its analysis and voting service at general meetings is now available to investors in the German market. In December, Ethos expanded its scope of analysis of general meetings to include Swiss real estate investment foundations.

In addition, Ethos updated its international equity index in collaboration with a new partner: Solactive. Entitled 'Solactive Ethos Screened Equity World ex-Switzerland Index', this index includes medium and large capitalisation companies established in developed markets, with the exception of Switzerland, and systematically excludes companies whose products or behaviour are deemed incompatible with the values of the Ethos Foundation.

Ethos has also taken a public stance on several occasions on issues related to regulatory developments, in both Switzerland and Europe. In September and December, Ethos participated in two consultation procedures initiated by the Federal Department of Finance to review the capital adequacy regulations for large banks, with a view to preventing another Credit Suisse-type scenario.

Ethos has also been active at the European level, notably by signing a joint statement by international investors aimed at maintaining the integrity and ambition of regulations on corporate responsibility and sustainability as part of the Omnibus simplification project. Unfortunately, this was in vain.

Ethos and a coalition of international investors also called for due diligence requirements for Swiss companies to be strengthened in the areas of human rights and the environment. This call came at a time when a second initiative for responsible multinationals succeeded in collecting the necessary 100'000 signatures in record time.

Finally, in April, Ethos and the members of its shareholder engagement programme with Swiss companies, the Ethos Engagement Pool International, launched a campaign for dialogue with the main asset managers operating in Switzerland. The aim? To ensure that their voting rights are exercised in accordance with their wishes and sensibilities at the general meetings of the companies in which they invest, particularly on issues related to sustainability.

Other highlights of the year included the 20th anniversary of a solid and fruitful partnership with Vontobel, the continuation of our collaboration with the FIR, ADEME and WBA to analyse companies' climate plans submitted to shareholders for a vote, and the fact that all equity investment funds offered by Ethos and its banking partners that underwent the certification process developed by the German Sustainable Investment Forum (FNG) obtained the maximum three stars this year.

2025 IN FIGURES

39.5

Full-time equivalents, totalling 45 employees.

900+

Company general meetings analyses.

107

Days of training.

100k

Kilometers travelled by train in Switzerland to promote responsible investment.

67

Kilos of coffee consumed in our offices in Geneva and Zurich.

700

Mentions in the Swiss media.

5

Physical interventions (Novartis, Nestlé, UBS, Holcim, Chubb Limited) and one virtual intervention (Swatch Group) at general meetings.

15'000+

Voting recommendations issued.

17'000+

Votes cast on behalf of our clients.

7

New members in EEP Switzerland and six in EEP International.

2000+

Companies targeted by our shareholder dialogue campaigns.

900+

Dialogue actions initiated with both Swiss and foreign companies.

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.

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.

PRI Principles for Responsible Investment

Certified B Corporation