Turning point
ETHOS NEWSLETTER ON GOVERNANCE AND SUSTAINABILITY

EDITORIAL: Mother Nature

"We are part of Mother Nature. We depend on Mother Nature for clean air, for water, for food, for clothing, for everything. And as we destroy one ecosystem after another, as we create worse climate change, worse loss of diversity, we have to do everything in our power to make the world a better place for the children alive today and for those that will follow. You have it in your power to make a difference. Don't give up. There is a future for you. Do your best while you're still on this beautiful planet Earth."

These words of wisdom were spoken by the famous primatologist Jane Goodall in a video released shortly after her death in early October. They perfectly sum up the spirit that drives Ethos and its teams. Because even if the winds are sometimes against us and the news we are inundated with today is not always encouraging, we continue to defend our values: economic development cannot come at the expense of future generations, and finance and investment, particularly from pensions, must be used to build a more sustainable world rather than undermining it.

Our leverage stems from our rights as shareholders: the right to vote at general meetings, to engage in dialogue with the companies in which we invest, to challenge them and to encourage continuous improvements in their environmental, social and governance practices. We also have the right to take a stand, denounce and even divest when the expected progress is not forthcoming, and companies show no willingness to change.

In early October, Ethos published a new 'Engagement Paper' devoted to the theme of nature. This detailed and well-argued document will serve as a basis for engaging in dialogue with companies and pushing them to implement essential measures, not only to minimise their impact on nature but also, and above all, to preserve their long-term value and resilience. And, by the same token, the interests of all their stakeholders.

By proactively adopting ambitious transition strategies, companies can mitigate their financial and operational vulnerabilities while contributing to a sustainable and viable environment for society. As responsible investors, we must continue to use our influence with unwavering determination, as long as we have the power to shape outcomes. We have the ability to make a difference.

LATEST NEWS

In a ruling made public on 14 October, the Swiss Federal Administrative Court (FAC) found that the write-down of Credit Suisse's AT1 capital instruments ordered by FINMA in March 2023 had no legal basis and was therefore unlawful. The FAC concluded that the conditions for a write-down were not met, as Credit Suisse was sufficiently capitalised at the time, and found that there had been a serious infringement of the property rights of bondholders.

Although FINMA has appealed this decision, it nevertheless confirms the concerns expressed by Ethos in a position paper published (in French or German) at the end of September (as part of a consultation conducted by the Federal Department of Finance). In Ethos' view, the effectiveness of these instruments has never been proven. They even have the potential to exacerbate crises. The current legal uncertainty surrounding their conversion further undermines their protective potential. It is therefore essential to review the design of AT1 instruments, or even consider removing them altogether.

Also in Switzerland, the Swiss Association of Asset Managers (AMAS) has updated its self-regulation rules on transparency and disclosure for collective assets relating to sustainability. This new version clarifies the definition of a sustainable product, no longer considering ESG integration, exclusion or voting approaches as sufficient to qualify for this designation.

Unsurprisingly, the Net Zero Banking Alliance did not survive the defections of recent months and announced in early October that it was ceasing operations. Launched in 2021 to encourage banks to reduce the carbon footprint of their loans and investments and play a key role in the transition to a carbon-neutral economy, the alliance had faced the withdrawal of many major banks since Donald Trump's return, including UBS.

In Europe, the Corporate Sustainability Due Diligence Directive (CSDDD) is the target of strong attacks. Following the CEO of Exxon Mobil, the CEOs of TotalEnergies and Siemens AG have taken up the pen to urge the French President and German Chancellor, on behalf of 46 European companies, to repeal this law. In a letter, they stated that scrapping these rules would send 'a clear and symbolic signal that governments and the Commission are truly committed to restoring competitiveness in Europe'. The United States and Qatar also weighed in with their own diatribe, sending a joint letter to EU leaders warning that the CSDDD could harm trade and energy relations if it were not repealed or significantly weakened.

The responses to these attacks were not long in coming. In a counter-letter, NGOs called on France and the EU to 'stand firm and show that they are not legislating to satisfy foreign powers or private interests, which are moreover incompatible with the Union's climate objectives'. The French SIF emphasised that "many companies have already equipped themselves with effective tools to identify environmental, social and human risks and to prevent or remedy harm, while respecting the rights of stakeholders. It is in fact a retreat from these efforts – and not their continuation – that would undermine the competitiveness and credibility of European companies on the world stage."

It is in this tense context that members of the European Parliament rejected a compromise agreement on the European Commission's Omnibus package, prolonging uncertainty over a possible relaxation of EU rules on sustainability and due diligence. The proposal, rejected by 318 votes to 309, aimed to reduce the scope of the CSRD and the CSDDD, maintaining the threshold of 1000 employees for the CSRD and raising that of the CSDDD to 5000 employees and 1.5 billion euros in turnover. Its rejection sends the initiative back to the negotiating table and highlights the deep divisions between those who want limited simplifications and those who advocate radical deregulation. A new vote is scheduled for 13 November.

None of this prevented TotalEnergies from being condemned by a French court for misleading commercial practices. At issue were its claims that it had ‘the ambition to achieve carbon neutrality by 2050’ and ‘to be a major player in the energy transition’. The decision followed legal action initiated in 2022 after Total changed its name to TotalEnergies. ‘This is the first ruling in the world to condemn an oil and gas giant for misleading the public by greenwashing its image,’ said ClientEarth.

GOOD NEWS

A few days before the opening of COP30 in Brazil, the tone adopted by the United Nations was optimistic as it announced the first decline in global greenhouse gas (GHG) emissions. According to the body responsible for climate change (UNFCCC), which analysed the climate plans and targets submitted on time by 64 countries, emissions are expected to fall by around 10% by 2035 compared to their 2019 levels.

However, while progress has been made, at least in the intentions of some countries, we are still a long way from the Paris Agreement targets, which required a 60% reduction in global emissions by 2035 to have a chance of limiting global warming to 1.5°C above pre-industrial levels. To achieve this, the movement would need to be accelerated rapidly, in particular by focusing more on the growth of renewable energies.

In this regard, we can welcome the results of a study published by Ember, which shows that the growth of solar and wind power exceeded the growth in global electricity demand in the first half of 2025 and that, for the first time, renewables produced more electricity than coal.

In other good news, a report reveals that sustainability reporting has become widespread among listed companies in the United States, despite the current headwinds. 99% of S&P 500 companies and 94 per cent of Russell 1000 companies published an ESG report in 2024. The study highlights that ESG reporting is now a strategic imperative for companies, as it enhances transparency, stakeholder confidence and preparedness for the upcoming wave of mandatory sustainability disclosures in 2026.

More surprisingly, US oil and gas companies do not

ENGAGEMENT UPDATE

Every year, millions of hectares of forest are destroyed to be converted into pasture, agricultural crops and mines. In September 2021, Ethos published an Engagement Paper on the topic of deforestation and drew up a list of expectations and best practices for companies. The Ethos Engagement Pool (EEP) International then launched an engagement campaign to urge seven companies across the beef and soy value chains with substantial exposure to deforestation to implement effective practices to prevent deforestation.

On 20 October 2025, Ethos and the members of the EEP logically joined forces with international investors managing more than 3 trillion dollars in assets to publish a statement calling on governments to halt and reverse deforestation and ecosystem degradation by 2030. This statement was issued in the context of the United Nations Climate Change Conference (COP 30), which will be held from 6 to 21 November in Belém, Brazil.

Ethos and the members of EEP International have also signed, along with 19 investors representing more than 153 billion dollars in assets, an investor statement warning of the ethical, legal and security risks associated with autonomous weapons systems capable of identifying and targeting without human intervention. Coordinated by the Stop Killer Robots coalition and Etica Funds, the signatories call on governments to negotiate an international treaty that combines a ban on systems without meaningful human control or that target people, and strict regulation of all other military uses of AI.

PROXY SEASON UPDATE

With the annual general meeting (AGM) season almost over, it is already time for Ethos and its analysts to prepare for the next season and engage in dialogue with companies on ESG issues. The aim is to remind them of our expectations and requirements and to ensure that practices evolve and improve.

This sometimes leads to encouraging news. Clariant, for example, has already announced that it will reduce the size of its board of directors from eleven to eight members in order to ‘address investor concerns about independence, term length and gender diversity’. Five directors will not stand for re-election at the 2026 AGM, while the board of directors will propose two new independent members want to see an end to the programme that requires the country's largest industrial polluters to calculate and report their GHG emissions annually. However, the US Environmental Protection Agency (EPA), which initiated the project, claims that this could save them up to 256 million dollars per year. According to an article in Bloomberg, these companies fear that scrapping the programme could compromise their ability to claim highly advantageous tax credits, particularly those designed to encourage CO2 capture and storage, but also harm those that sell liquefied natural gas to Asia and Europe, where low-carbon energy sources are increasingly in demand.

to shareholders. This is a direct response to a long-standing request from Ethos.

Rezonanz, for its part, has published its annual ranking of how leading asset managers – and, for the first time this year, asset owners – vote at AGMs on sustainability-related issues. The 2025 ranking, which again uses Ethos' voting recommendations as a benchmark, shows a clear divide between Europeans and Americans, but also between asset owners and asset managers. While Nordic and Dutch pension funds are the most aligned with the sustainability consensus, the leading US asset managers are clustered at the bottom of the ranking.

FIGURE OF THE MONTH

This is the number of 'carbon bombs', i.e. gas, oil or coal extraction projects likely to emit more than one gigatonne of CO_2 over their remaining lifetime, that have been identified by the Éclaircies, Data for Good, LINGO and Reclaim Finance consortium since the first publication of CarbonBombs.org two years ago. This is enough to emit eleven times the remaining global carbon budget needed to keep global warming to 1.5°C.

ETHOS NEWS UPDATE

In early October, the Ethos Foundation published an Engagement Paper on the theme of nature and biodiversity. In this document, which is supported by numerous scientific references, Ethos details its expectations of companies in terms of managing and minimising the impact of their activities on biodiversity. It will serve as a basis for the constructive but demanding shareholder dialogue that Ethos and the members of EEP Switzerland and International are conducting with companies on an issue that has become as important as climate change today.

The 'Clartan Ethos ESG Europe Small & Mid Cap' fund celebrated its fifth anniversary. It invests in European small and mid-cap companies that take social and environmental aspects into account in their business model and is intended for private and institutional investors who wish to capture the significant performance potential of these companies while investing in a sustainable and responsible manner.

To strengthen the team responsible for analysing the agenda items of AGMs of listed companies in Switzerland and abroad, Ethos, as it has done in recent years, has posted a job offer for a four-month internship, starting in February 2026, as a 'Corporate Governance Intern'. The intern will be responsible for analysing the documents submitted by companies, in particular the annual report, the agenda of the general meeting and the articles of association, and formulating voting recommendations in accordance with Ethos' voting guidelines.

Finally, on 24 November, our CEO Vincent Kaufmann will take part in the AGM of the Future, an evening event organised as part of the City of Geneva's Climate Week. The audience will attend the AGM of the fictional company Chronosphère, a flagship of Geneva watchmaking, and will take a journey into a future marked by global warming, as the AGM will take place in November 2040. They will represent the shareholders and will have to vote on the company's future strategic directions.

Press review :

- FINMA challenges FAC decision on Credit Suisse bond write-down (RTS, 15 October 2025). Our Director Vincent Kaufmann comments on the Federal Administrative Court's decision.
- Ethos calls for abolition of AT1 bonds citing pension fund risks (IPE, 1 October 2025)
- 'Sustainable finance cannot be reduced to a single marketing promise' (SwissPowerShift, 1 October 2025). Interview with our director Vincent Kaufmann on the sidelines of the Building Bridges 2025 conference in Geneva.

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.