Turning point

ETHOS NEWSLETTER ON GOVERNANCE AND SUSTAINABILITY

EDITORIAL: As the climate goes haywire, so does regulation

Since the Paris Agreement was signed in 2015, the global climate goal is well known, repeated and, above all, quantified: global warming must be limited to +1.5°C (compared to pre-industrial levels) if we want to minimise its effects, the severity of extreme weather events, ice melt and sea level rise.

It is no secret that this target was under threat as heat records have been broken month after month, year after year. It has now been shattered. At least, that is the conclusion of a scientific study published in June. It shows that the carbon budget remaining to humanity before we cross the +1.5°C threshold is now 130 gigatonnes of CO_2 equivalent, or three years at the current rate of emissions. In other words, the target set for 2050 is likely to be exceeded as early as 2028.

So, obviously, there is still time to act before it is too late, even if that point is fast approaching. The study's authors also point out that the rate of increase in emissions appears to be slowing down thanks to the deployment of clean technologies. They argue that rapid and strict reductions in emissions are more important than ever and that every fraction of warming we can avoid will mean less damage and suffering for people, particularly the poorest and most vulnerable.

To achieve this, we need governments to strengthen regulations. However, the opposite is happening. Without mentioning the United States (US), the European Council has decided to go further than the Commission's proposal in its 'Omnibus' project to simplify sustainability regulations. The CSRD would thus only apply to companies with more than 1'000 employees and 450 million euros in turnover, whereas the Commission proposed 50 million euros. The CS3D would only apply to companies with more than 5'000 employees and 1.5 billion euros in turnover - i.e. 997 companies in Europe - representing a reduction of nearly 70% compared to the Commission's proposals.

As usual, the Swiss Federal Council is not much more ambitious. On 25 June 2025, it decided to temporarily suspend the revision of the Ordinance on climate disclosures for companies, pending the outcome of the European Omnibus. In other words, despite the fact that climate change is accelerating and its effects are becoming increasingly severe, regulating human activities can wait a little longer.

LATEST NEWS

Shortly after the tragedy in Blatten, which allowed the whole world to witness the effects of climate change in real time, the Swiss Federal Office for the Environment updated its analysis of climate risks for Switzerland and their evolution until 2060: More intense heatwaves, increased summer drought, higher risk of forest fires, major floods, ground movements, hail and storms, winters with little snow, and ecosystem degradation. The findings are clear: of the 34 risks analysed, 12 are already considered to be high or very high.

Another eagerly awaited study published in June was that of Swiss Re on emerging risks likely to impact the insurance industry. For this 2025 edition, the authors focused on the costs associated with extreme heat. Here too, the findings are stark. For example, we learn that 480'000 deaths are attributed to heatwaves each year, more than those caused by floods, earthquakes and hurricanes combined. We also learn that forest fires, amplified by drought and high temperatures, caused 74 billion dollars in insurance losses between 2014 and 2023.

While the risks associated with climate change are now widely known, unfortunately we cannot rely (too much) on banks to mitigate them. The report 'Banking on Climate Chaos 2025', which analyses financing of fossil fuels by the world's 65 largest banks, reveals that they granted 869 billion dollars in loans to fossil fuel companies in 2024, 23% more than in 2023. And it's not just the fault of American banks. Of the 24 European banks covered, 13 increased their financing of fossil fuels last year.

Once again, we should not rely too heavily on the authorities to solve the problem. In the US, the SEC has dropped a series of rules aimed at combating 'greenwashing' by further regulating the use of terms such as "ESG" and 'sustainable' in investment fund names and strategies. Meanwhile, the European Commission intends to withdraw a proposal aimed at combating so-called "greenwashing" by ensuring that companies' environmental claims are accurate, substantiated and independently verified. This decision, taken at an advanced stage of negotiations, surprised many observers and is seen as a further setback for the Green Deal.

STEWARDSHIP SPOTLIGHT

The annual general meeting (AGM) season is coming to an end, particularly in Switzerland, where 193 out of 204 listed companies covered by Ethos have already held their annual meetings. As feared at the start of the season, and without spoiling the results of a study to be published by Ethos in the autumn, 2024 saw an average increase in executive remuneration. However, shareholders remained critical on this issue, with remuneration reports being

GOOD NEWS

Fortunately, there is some good news to report for June 2025. According to the BNP Paribas ESG 2025 survey, the vast majority of institutional investors remain committed to sustainable investment, even if they seem to be more cautious in their communications than in recent years. 87% of respondents said their ESG objectives remain unchanged, and 84% believe the pace of progress towards sustainability will continue or accelerate between now and 2030.

The Dutch pension fund ABP, one of the largest in Europe with over 500 billion euros in assets under management, surveyed its members and policyholders on its investment policy, and the results are clear: 78% want the pension fund to invest sustainably and responsibly, compared to 66% in a similar survey conducted two years ago.

Finally, if you're a glass-half-full kind of person, there may be some good news from Nice in France, where the third United Nations Ocean Conference was approved by an average of 86.1% of votes. Three companies (Leonteq, Tecan and Temenos) even had their reports or remuneration packages rejected by a majority of their shareholders. In each case, Ethos had recommended voting against these items on the agenda.

It is not only in Switzerland that high salaries are causing discontent. In the US, where it is not uncommon to see annual remuneration exceeding 50 million dollars, dissenting votes were cast during the 2025 AGM season. Several remuneration reports were rejected, signalling growing opposition among shareholders to plans perceived as excessive or not aligned with the company's performance. One of the most revealing examples is certainly Warner Bros Discovery's ‘Say on Pay’, which obtained only 41% of the votes. Shareholders apparently did not appreciate the CEO receiving nearly 52 million dollars, including one million dollars for personal security, while his company posted a loss of 11.5 billion dollars.

While other reports were rejected, notably at the Otis World AGM, the opposition seemed particularly strong in the financial sector. Goldman Sachs' ‘Say on Pay’ vote was only 66%, down from 86% the previous year. This decline is mainly attributed to the 80 million dollars’ worth of retention bonuses awarded to CEO David Solomon and President John Waldron, which were deemed excessive and insufficiently linked to performance by shareholders, according to the Financial Times (article behind paywall). BlackRock's ‘Say on Pay’ vote was only 67%, slightly better than in 2024 (59%).

held. More than 170 countries, with the notable exception of the United States, adopted a public declaration, widely described by the press as ambitious, committing the international community to urgent action to preserve the oceans. In particular, it calls for stronger action to combat plastic pollution and for more marine protected areas to be created in the future. For those who see the glass as half empty, it is worth noting that at the same time, the US President launched a deep-sea mining exploration mission...

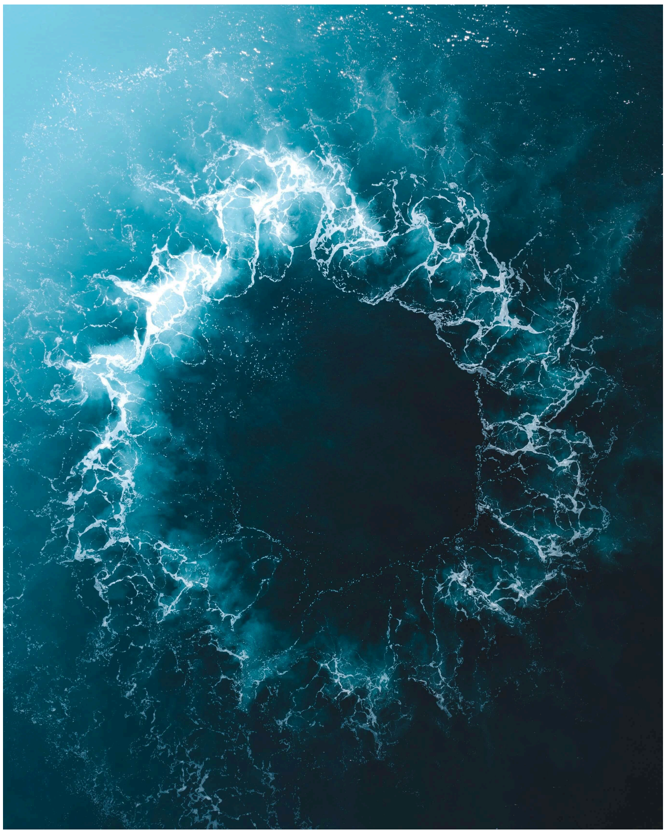

FIGURE OF THE MONTH

The total volume of sustainability-related investments in Switzerland rose by 13% last year to reach CHF 1’881 billion as at 31 December 2024, according to the annual Swiss sustainable investment market study published by Swiss Sustainable Finance. The umbrella organisation emphasises that this is a clear recovery after the more moderate increase recorded in 2023 and shows that the ‘ESG backlash’ has not reached Switzerland.

ETHOS NEWS UPDATE

On 17 June, the Ethos Foundation and Ethos Services held their own AGM. The members of both boards were re-elected for one year and all items on the agenda were approved, including the 2024 sustainability report, which was presented for the first time in the form of an integrated report prepared in accordance with the GRI reporting standard and whose main indicators were subject to limited independent assurance. The annual event also provided an opportunity to announce the launch of the online training modules that comprise the Ethos Foundation's course on the fundamentals of sustainable finance. These modules are now available in three languages (French, German and English) on the Ethos education platform.

25 June marked the first anniversary of the 'BCV FUND (LUX) - Ethos Climate ESG Ambition' fund. This anniversary coincided with the publication of the first sustainability report for this equity fund, which aims to invest in companies that contribute to the ecological transition and reduce the impact of climate change.

Finally, Ethos participated in an ESMA consultation on technical standards to regulate ESG ratings within the EU. In its position paper, Ethos broadly supports the European initiative, particularly about ensuring that services provided to investors are not biased by additional services provided to issuers. However, Ethos has reservations about certain aspects of the proposed regulation, particularly regarding the potential increase in regulatory complexity for small players, while at the same time the European Commission is seeking to reduce the regulatory burden on private issuers through the Omnibus package. This results in regulatory imbalance: ESG rating agencies, which are often small research-focused entities, face increasing compliance risks, while private issuers assessed by these agencies for more sustainable practices benefit from lighter regulation.

This asymmetry raises questions about the broader policy intent. From Ethos' perspective, it appears that regulatory pressure is being shifted from large market players to the entities responsible for overseeing them. This could weaken the independence and diversity of the ESG rating landscape, ultimately undermining the EU's sustainable finance agenda. It should be noted that the EASRA, of which Ethos is a member, also participated in this consultation and took a public position on the issue.

Press review :

- «Ohne uns machen die da oben, was sie wollen». An article about the 2025 AGM season in Switzerland mentionning Ethos (Beobachter, 23 June 2025)
- Ethos expands proxy voting services to Germany via Monega partnership. (IPE, 2 June 2025)
