Turning point

ETHOS NEWSLETTER ON GOVERNANCE AND SUSTAINABILITY

EDITORIAL

Turning point, tipping point, critical point . Whatever the term, the observation is the same: we have reached a point where we can no longer afford to wait any longer if we want to address climate change and preserve a habitable planet for future generations. A large majority of the scientific community agrees on this, and the signals, each more dramatic than the last, are there to remind us of it every day.

At the same time, misinformation and untruths continue to spread and grow in importance. Greenwashing, ESG-Backlash, wokism. The attacks are ever more frontal, and recent political developments in the United States do not bode well.

It is in this period of uncertainty that the role of players such as the Ethos Foundation, created more than 25 years ago to promote the inclusion of sustainable development principles and good corporate governance rules in investment, becomes even more essential. And it makes perfect sense.

The Ethos Foundation has therefore decided to launch its own newsletter. The aim of ‘Turning Point’, as it is called, is to sift through the latest sustainability news, to raise awareness of the challenges of responsible investment and governance and, perhaps most importantly, to highlight the progress and advances made possible by those who believe, more than ever, in the need to develop a more sustainable and inclusive economy that takes account of the limits of our planet and the interests of future generations.

This newsletter, which is sent out at the end of each month (except during the summer and festive seasons), is intended to be a place for sharing relevant information and a knowledge hub, particularly through links to high quality studies, articles and events that encourage reflection and a platform to showcase stewardship successes and challenges.

We hope you enjoy reading this issue, and that the winds that may be blowing against us today will be pushing us in the right direction tomorrow.

LATEST NEWS

It's been a busy start to 2025 and not all of the news has been good. As might have been expected, the election of Donald Trump has given fresh impetus to the anti-ESG movement in the United States. Without even waiting for his inauguration, a number of big names in the financial world decided to slam the door on the Net Zero Asset Managers (NZAM) initiative and the Glasgow Financial Alliance for Net Zero (GFANZ).

ESG backlash in the US

This series of defections followed a letter sent just before Christmas by the Republican-controlled House Judiciary Committee to 60 US asset managers accusing them of colluding with climate activists, through initiatives such as NZAM and GFANZ, to 'impose left-wing ESG objectives'. This was followed by a findings of fact and conclusions of law by a Texas judge accusing American Airlines of breaking the law and breaching its fiduciary duty of loyalty by basing the investment decisions of its pension plan on non-financial and ESG factors.

As a direct result of these attacks, NZAM announced on 13 January that it was suspending its activities while it reviews the text of the initiative and ensures that it remains adapted to the new global context. As for GFANZ, it has reviewed its requirements for its members, who no longer need to commit to aligning their activities with the Paris Agreement, and announced that it will now focus on mobilising private capital to finance the energy transition. In other words, it will no longer be necessary to have net zero climate targets to join the alliance.

The most optimistic point out and insist on the fact that the big names in finance who have chosen to leave these alliances remain bound by their own climate commitments. And that their withdrawal, which does not really come as a surprise, will at least have had the good side of exposing to the world those who had committed themselves to the climate more out of opportunism than conviction. In a well-argued position paper, the director of the NGO As You Sow reminds us that asking companies to reduce risks, including climate risks, is a fundamental right of shareholders, which has no other objective than to guarantee the company's financial sustainability over the long term. For institutional investors, such as pensions funds, this means actings as a good steward toward their beneficiaries.

Omnibus' project in Europe

The fact remains that these recent developments demonstrate, at the very least, the power of the anti-ESG movement to do damage. A movement that is no longer confined to the United States. In recent months, a number of voices have been raised in Europe calling for less bureaucracy, fewer ESG regulations and greater competitiveness for European companies. In early January, German Chancellor Olaf Scholz wrote a letter to the President of the European Commission calling for rapid, targeted action. His main target is the corporate sustainability reporting directive (CSRD), whose scope he wants to have reviewed and whose entry into force he wants postponed.

Faced with growing demands to review the CSRD and the European Green Deal regulations, Ursula van der Leyen announced the implementation of 'omnibus' legislation at the end of 2024 to simplifying them. Some people are even talking about removing certain non-financial reporting requirements for companies operating in the EU, which is worrying everyone, from representatives of civil society to the companies concerned.

While we wait for the European Commission to publish the details of its 'omnibus' project on 26 February, and while Donald Trump signed an executive order to withdraw his country from the Paris Agreement, the experts surveyed by the WEF as part of the 'Global Risks Report 2025', who are not known to be climate extremists, still ranked environmental risks among the top four threats facing the world over the next ten years.

GOOD NEWS

STEWARDSHIP SPOTLIGHT

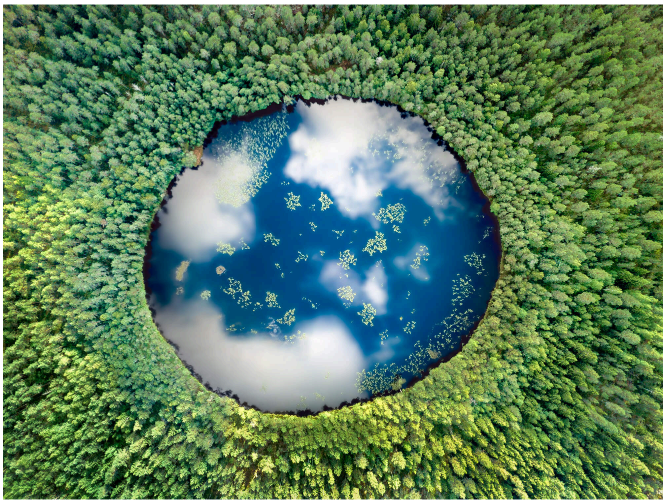
The annual general meeting (AGM) season is approaching. In Switzerland, it's usually the Novartis AGM, scheduled for 7 March, that officially kicks off the season. This year, the largest listed companies in Switzerland are required to publish a report on climate issues in addition to their sustainability report. As usual, Ethos has set out its requirements in its voting guidelines and will publish all its voting recommendations on its website five days before the meeting.

On an international level, the first shareholder resolutions relating to sustainability are already known. Share Action and ACCR, with whom Ethos regularly collaborates, filed a resolution at Shell's AGM asking for an explanation of its strategy for developing its liquefied natural gas production capacity, which they consider to be incompatible with the IEA's scenarios. Like other oil companies, Shell has recently announced that it intends to reverse its energy transition policy, despite the opinion of a large proportion of its shareholders.

Despite the rather gloomy mood at the start of the year, there is some good news to report. First, the number of companies that have set or committed to science-based climate targets has just passed the 10,000 marks, the Science Based Target initiative (SBTi) announced. Of the 150 largest companies listed in Switzerland (SPI), 33 have had their climate targets validated by the SBTi as being compatible with a warming scenario of 1.5°C or well below 2°C. That's seven more than in 2023.

In terms of internal good news, Ethos' five governance and sustainability indices outperformed their benchmark universe in 2024. Proof, if it were needed, that the integration of ESG criteria is definitely not at the expense of financial performance.

Finally, in Switzerland, the initiators of the second initiative for responsible multinationals succeeded in collecting more than 100,000 signatures in less than a month. The Swiss people will therefore vote again on this initiative, which was narrowly rejected in 2020 for lack of a double majority of the people and the cantons.



ETHOS NEWS UPDATE

January was also a busy month for Ethos. As the proxy season gets underway and more and more meetings are held with company representatives to discuss governance and sustainability issues, Ethos and the members of the Ethos Engagement Pool (EEP) signed an investor statement urging the European Commission to preserve the integrity and ambition of the regulatory framework for sustainable finance in the EU, of the simplification sought by the 'Omnibus' project. The statement, prepared by PRI, IIGCC and Eurosif, will be published on 4 February.

In January, Ethos and its partner Vontobel celebrated the 20th anniversary of the 'Vontobel Fund (CH) - Ethos Equities Swiss Mid & Small' fund at a reception in Zurich. Ethos also received a special award for its bond index launched in April 2024. Finally, applications for the 'Ethics in Finance Award 2025', granted by the University of Neuchâtel to succeed the Ethos Foundation - winner in 2024 - are open and will remain open until 28 February.

Press review :

- « La concentrazione finanziaria ha raggiunto livelli preoccupanti » : Interview with our CEO Vincent Kaufmann (Corriere del Ticino, 8 janvier 2025)
- « L'Europe se défie des milliards de Musk » : Ethos explains why Tesla shares are not in its investment funds (Tribune de Genève, 14 January 2025)

New members of the Ethos Foundation :

- Medpension vsao asmac

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