

Turning point

ETHOS NEWSLETTER ON GOVERNANCE AND SUSTAINABILITY



EDITORIAL : Beware of the inflationary spiral affecting executive remuneration

10 million? 25 million? 100 million? 1 billion? At what point does a company executive's remuneration become excessive? And dangerous? The Ethos Foundation has been asking these questions for a long time. Its voting guidelines stipulate that the variable remuneration should not exceed three times the fixed remuneration, which itself should be comparable to that of companies of similar size and complexity.

For Ethos, this is not just a moral question or a “ticking boxes” exercise at annual general meetings (AGM), but a question of governance and responsibility. Excessive remuneration poses a threat to companies and their shareholders, especially when it encourages managers to take greater risks for the sake of financial gain. When the variable portion becomes too large, beneficiaries are tempted to prioritise their own remuneration over the interests of the company. We have seen enough crises caused by poor governance and poor incentive systems in recent years to know this.

It is not only the remuneration amount that matters, but also its justification and transparency. In practice, we often see variable components based on short-term financial indicators, easily achievable targets, inappropriate peer groups, and ceilings that are too high. Conversely, good remuneration systems are aligned with long-term success and take into account risk, resilience, and the impact of activities on society and the environment.

This is precisely where shareholders can and must intervene. They have the right and the duty to do so, particularly Swiss pension funds, which are legally required to vote at the AGMs of the companies they co-own. As long-term shareholders, they must bear in mind not only value creation, but also the long-term interests of their members, i.e., the Swiss working population.

We want remuneration systems that focus on long-term value creation and consider the interests of all stakeholders. This implies clear, predefined performance criteria, ambitious sustainability targets, share retention periods, clawback mechanisms in the event of misconduct, and credible limits to prevent excesses.

Conversely, we no longer want to see companies willing to accept reputational damage due to excessive remuneration. The era of Vasella, Ospel, and others has permanently undermined the legitimacy of performance-related remuneration. Let us instead remember the strong popular support for the Minder initiative, which was intended to limit excessive remuneration, passed in 2013, and approved by more than 67.9% of the population. Unfortunately, this important signal seems to have been quickly forgotten by leaders of listed companies.

Switzerland should not denigrate its successful companies. However, it can demand that power, responsibility and remuneration be commensurate. Good corporate governance is a competitive advantage: it protects shareholders, employees and the companies themselves from excesses that undermine trust.

LATEST NEWS

The new year began with a good resolution for the European Union (EU), which set itself [new interim climate targets](#) with a view to achieving carbon neutrality by 2050. Members of the European Parliament approved an amendment to European climate law requiring a 90% reduction in emissions by 2040. However, this vote followed [an agreement](#) between the Parliament and the European Council that will allow up to 5% of emissions reductions to be achieved through the use of international carbon credits.

In the United States, the Trump administration continues to undermine everything related to sustainability, starting with [the revocation](#) of the "Endangerment Finding," which since 2009 had been the legal basis for regulating greenhouse gases (GHGs) as a threat to public health. But while the White House claims that "the biggest wave of deregulation in history" is expected to bring in 1.3 trillion US dollars, Bloomberg ([paywall](#)) reveals that this announcement does not include the costs of regulatory rollbacks, which could range from several hundred billion to 1.4 trillion US dollars.

Faced with these uncertainties, democratic states are taking the lead in strengthening their own regulations. Following California, New York State has adopted [a bill](#) requiring companies of a certain size to publish their direct (Scope 1 and 2) and indirect (Scope 3) GHG emissions annually.

Meanwhile, [an MSCI study](#) reveals that 79% of publicly traded companies published their Scope 1 and 2 emissions in 2024, and 56% published at least part of their Scope 3 emissions. However, only 19% have set reduction targets validated by the Science-Based Targets initiative. As a result, their GHG emissions trajectory implies a 3°C warming by the end of the century, with only 12% of companies on a trajectory aligned with a 1.5°C scenario and 26% on a scenario between 1.5°C and 2°C.

With the SEC having decided to sit out at least this AGM season, it will, as expected, be up to the courts to decide in certain cases whether a US company had the right to exclude a shareholder resolution from the agenda. The New York City pension fund has filed [a lawsuit](#) against AT&T for excluding a proposal that called for the disclosure of information on the ethnicity and gender of employees. The plaintiffs argue that there is no "legitimate business justification" for not providing investors with this essential workforce data. The Nathan Cummings Foundation has filed [a lawsuit](#) against Axon for excluding a proposal requesting a report on the funds allocated by the company to support or oppose political candidates or influence elections. While Axon excluded the proposal on the grounds of "micromanagement", the petitioners pointed to previous cases in which the SEC had rejected similar arguments.

GOOD NEWS

We have already written about this here, but salvation in the face of the current headwinds could come, at least in part, from the courts. In Texas, for instance, [a judge](#) has invalidated a 2021 law that prohibited entities managing public funds, starting with pension funds, from investing in funds that exclude the fossil fuel sector. This law, which the judge ruled unconstitutional, had marked a strengthening of the anti-ESG movement in the United States and led many banks and asset managers to leave climate alliances and review their commitments.

In Europe, the European Central Bank (ECB) imposed [penalty payments](#) totaling 7.5 million euros on Cr dit Agricole for failing to adequately assess the significance of its climate and environmental risks within the specified time frame. After Spain's Abanca bank in November 2025, this is the second European bank to be sanctioned by the ECB. These sanctions show that the ECB now expects banks to take climate risks seriously and to integrate them into their strategy, governance, and risk management.

In France, [the first major climate trial](#) has begun after six years of proceedings. Already convicted at the end of 2025 for "greenwashing," TotalEnergies is now accused of "failing in its duty of climate vigilance." Since 2020, three NGOs and the City of Paris have been asking the courts to force the oil and gas giant to reduce its GHG emissions (by reducing its hydrocarbon production) in order to comply with the Paris Agreement target. A decision is expected on 25 June 2026.

In the United States, legal action against oil giants is common. They are generally accused of misleading consumers or downplaying the risks associated with climate change. However, the state of Michigan has taken [a new legal tactic](#) by filing a lawsuit against BP, Chevron, ExxonMobil, Shell, and the American Petroleum Institute, accusing them of driving up energy prices by colluding to stifle competition from cleaner and cheaper technologies, such as solar energy and electric vehicles. [The lawsuit](#), based on federal and Michigan state antitrust laws, alleges an illegal conspiracy to delay the transition to renewable energy and electric vehicles and maintain the dominance of the fossil fuel market.



ENGAGEMENT UPDATE

The rapid growth of digital platforms has profoundly transformed work in all sectors and countries, creating new opportunities but also revealing serious gaps in worker protection. In this platform economy, one of the main issues is the classification of workers, who are too often mistakenly considered to be independent contractors, depriving them of the rights and protections afforded to employees.

PROXY SEASON UPDATE

The AGM season in Switzerland will kick off in earnest on March 6 with the Novartis shareholders' meeting. Between now and June 30, the Ethos teams will analyse in detail the agendas of nearly 800 AGMs, including those of 198 companies listed in Switzerland. For the first time this year, they will also cover the AGMs of around 20 investment foundations active in real estate in Switzerland. All voting recommendations will be published [on our website](#) five business days before the date of the AGM.

According to the [Harvard Law School Forum on Corporate Governance](#), 2025 was a record year for shareholder activism, with more campaigns and increased targeting of boards of directors and executives. However, the publication notes that the leading proxy advisors are under unprecedented pressure (particularly in the US) and that their support is no guarantee of the outcome of AGMs.

Morningstar also reviews [the lessons learned](#) from the 2025 AGM season in the

It is in this context that a coalition of investors coordinated by ICCR, including Ethos and members of the Ethos Engagement Pool International, has issued a statement to ILO constituents. They urge them to take advantage of the June conference to move towards the adoption of a binding international convention for decent work in the platform economy. This convention should, in particular, impose obligations on platforms in terms of transparency, fair remuneration, occupational health and safety, data rights, and complaint procedures; guarantee freedom of association and collective bargaining, including protection against opaque algorithmic reprisals; ensure equal protection for women and migrant or refugee workers; and provide for effective dispute resolution mechanisms, with access to courts and remedies, without forced arbitration.

For institutional investors, a binding international convention on platform work is essential: clear and consistent standards enhance regulatory certainty, reduce legal and reputational risks, and limit the likelihood of costly litigation, sanctions, or abrupt business model changes. At the same time, fair working conditions strengthen the stability of platforms, support more sustainable models, and promote long-term value creation.

The ILO conference in June therefore offers a crucial opportunity for workers, governments, businesses, and investors to collectively ensure that human rights are firmly embedded in the platform economy.

United States. Unsurprisingly, it finds that large asset managers mostly vote in line with the board of directors' recommendations. The three largest asset managers supported an average of only 7.5% of shareholder resolutions, compared with 12.4% for the ten largest. By way of comparison, US sustainable funds supported 36.4% of shareholder proposals, while European asset managers supported 46.7% of resolutions.

The situation is the same in Switzerland, where [a study](#) by MBS Capital reveals that asset managers' support for ESG shareholder resolutions is declining.



FIGURE OF THE MONTH

This is the amount, in millions of Swiss francs, of the Novartis CEO's realised pay for 2025 and the period 2023-2025 (for the long-term plan). This is almost 300 times the median annual salary in Switzerland and a 30% increase on his realised pay for 2024.

ETHOS NEWS UPDATE

Ethos has publicly announced [its voting recommendations](#) for the Novartis AGM. Given the levels reached this year, Ethos recommends opposing all items on the agenda related to remuneration, namely the remuneration report (item 5.3), the 95 million Swiss francs budget

for the remuneration of the ten members of the Executive Board in 2027 (item 5.2) and the 8.2 million Swiss francs budget for the 12 members of the Board of Directors (item 5.1).

During this annual reporting period, the Ethos Foundation also launched its [new online training module](#) dedicated to the ESG reporting standard of the Swiss Pension Fund Association (ASIP). Designed both for teams that draft these reports and for those who wish to better understand their pension fund's sustainability strategies, this module is part of the Ethos Foundation's sustainable finance training program and is based on the latest version of the ASIP standards.

Finally, in February, the Ethos Foundation renewed [its partnership](#) with the Forum pour l'Investissement Responsable (FIR), ADEME, and the World Benchmarking Alliance for the third consecutive year to analyse the climate strategies and plans of companies that are subject to shareholder votes.

Press review :

- [Ethos appelle les actionnaires de Novartis à rejeter le point sur les rémunérations](#) (Agefi, 24 février 2026)
- [Nestlé face à des mauvais résultats et le scandale des laits infantiles : interview de Vincent Kaufmann](#) (RTS Forum, 20 février 2026)
- [Die Schweiz braucht keine neue Abzockerdebatte: Von den hohen Löhnen der Multis profitieren alle](#) (NZZ, 14 février 2026)
- [Die 25-Millionen-Vergütung des Novartis-Chefs im Vergleich](#) (SRF 1 Tagesschau, 4 février 2026)
- [Switzerland's Ethos Foundation gets tough on governance](#) (IPE, January/February 2026 Magazine)

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