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Turning point

ETHOS NEWSLETTER ON GOVERNANCE AND SUSTAINABILITY

EDITORIAL : What's next ?

It is not only in the United States that shareholders' rights are under threat. In Switzerland, the Swatch Group's 2026 AGM is a striking example of this. Despite receiving over 80% support from bearer shareholders, Steven Wood was not elected to the board of directors. The reason? Opposition from the Hayek family, which, thanks to a dual-class share structure, holds 26.4% of the capital but 44.5% of the voting rights.

A look back is in order. For several years, Ethos has been highlighting governance issues within the watchmaking group and calling for new independent members to be appointed to the board of directors with no direct links to the Hayek family. Of the seven board members prior to the 2026 AGM, four were representatives of the Hayek pool (including three family members) and three were considered affiliated due to their terms of office exceeding 12 years (16, 21 and 31 years respectively).

Jean-Pierre Roth was the last independent member, appointed in 2010. Since then, only Daniela Aeschlimann (2016) and Marc Hayek (2024), both representatives of the Hayek pool, have joined the board. Consequently, when GreenWood Investors (0.5% of the share capital) proposed the election of Steven Wood, Ethos chose to support him. Not because of shared values, but to counterbalance the over-representation of a single shareholder on the board, and to provide a different viewpoint, an international perspective, and knowledge of the financial markets and the expectations of institutional investors.

Ethos has always advocated for a diverse board, whether in terms of skills, experience, age or geographical origin. It is this careful mix that challenges certainties and gives rise to new ideas.

This is why Ethos was pleased that, under pressure from Greenwood, Swatch Group organised a separate vote this year, reserved for bearer shareholders to appoint their representative. To block Steven Wood's path, however, the board proposed its own candidate: Andreas Rickenbacher. This strategy failed to convince the bearer shareholders, and Rickenbacher secured only 46% of the vote, compared with over 80% for Steven Wood.

Nevertheless, the celebrations were short-lived. The Hayek camp ignored the wishes of the bearer shareholders: Steven Wood was not elected, while Andreas Rickenbacher joined the board thanks to their support. However, having failed to secure a majority of the bearer shareholders' votes, he could not be appointed as their representative. It was therefore Jean-Pierre Roth, with his ten shares, who was reappointed to this role for a further year, as if nothing had happened.

This decision raises numerous questions. Will GreenWood take legal action? Will shareholders have to fund the defence of a decision taken against the wishes of 80% of them? Will the articles of association need to be amended so that bearer shareholders can actually elect their representative? These are all questions that call into question the credibility of corporate governance in Switzerland, and which will be the subject of much discussion in the coming months.

LATEST NEWS

Corporate non-financial reporting, particularly with regard to greenhouse gas emissions, still leaves much to be desired. And this time it is not Ethos saying so, but the European Securities and Markets Authority (ESMA). In its 2025 report on corporate reporting oversight activities, ESMA states that almost a third of the sustainability reports examined (109 out of 367) gave rise to requests for corrective action, 40% of which related to climate reporting.

Meanwhile, the European Commission has published its draft revision of the European Sustainability Reporting Standards (ESRS) as part of the Omnibus package, which aims to simplify regulation. Unsurprisingly, these significantly reduce reporting obligations and raise questions regarding interoperability with global standards. The Commission has also launched a consultation on a voluntary reporting standard for companies not falling within the

mandatory scope of the Corporate Sustainability Reporting Directive (CSRD). The deadline for submitting comments is 3 June.

2.9 billion US dollars. This is the figure for losses attributable to climate change reported by companies surveyed by the CDP in 2025. However, this figure is merely a drop in the ocean compared to the estimated 900 billion US dollars that these same companies fear they will have to bear in the long term, of which 500 billion is linked to flooding and 160 billion to storms and other tornadoes.

In Switzerland, the Federal Council has adopted and published the fourth national report on the implementation of the 2030 Agenda for Sustainable Development. This reveals a mixed picture for the period 2022–2026. While positive developments are evident in the circular economy, renewable energy and gender equality, the pace of implementation is proving insufficient. The report's authors warn that the targets relating to sustainable consumption, climate, biodiversity, poverty reduction, access to affordable housing and discrimination will be difficult to achieve by 2030.

Meanwhile, China is winning the race for global leadership in clean energy, according to a report by the US NGO Atlas Public Policy. Of the 1.1 trillion US dollars in manufacturing investment announced between 2019 and 2025, China leads the way with 510 billion invested – more than Europe, North America, South America, Oceania and Africa combined. The United States lags far behind with 236 billion, followed by Germany (33 billion), Hungary (33 billion) and India (32 billion).

In the United States, the 'anti-woke' witch hunt continues. Four states (Texas, Nebraska, Iowa and West Virginia) have brought legal action against ISS for alleged breaches of consumer protection laws and deceptive practices, on the grounds that it prioritised ESG and DEI criteria at the expense of 'objective' advice. Furthermore, the lawsuits cite conflicts of interest between corporate advisory services and analyses intended for investors.

Finally, following asset managers, Net Zero alliances and proxy advisory firms, it is now the turn of credit rating agencies to face attacks from anti-ESG Republican politicians. A coalition of 23 Republican state attorneys general has threatened Fitch, Moody's and S&P with legal action if they do not remove ESG criteria from their credit analyses of companies in the oil and gas industry.

FOCUS ON REGULATORY NEWS

The European Commission has launched a public consultation on the revision of the Shareholder Rights Directive. One of the questions raised concerns the need to regulate proxy advisors. In a public statement, Ethos acknowledges the importance of addressing conflicts of interest that could affect the quality and objectivity of voting recommendations, particularly where proxy advisors offer services to both issuers and investors. Ethos warns, however, against excessive compliance costs, which would penalise smaller players to the benefit of large groups. Ultimately, this would be detrimental to both competition and investors.

In Switzerland, the Federal Council is holding a consultation until 9 July on its counterproposal to the Responsible Multinationals 2.0 initiative. This proposes amending the Swiss Code of Obligations regarding non-financial reporting and corporate due diligence. On the non-financial reporting front, the good news is the introduction of a requirement for external verification of sustainability reports, the application of a standard, and the confirmation that the vote by the general meeting is binding. On due diligence, Ethos welcomes the extension of obligations to all sectors, rather than only companies active in conflict minerals, and child labour, as well as the introduction of a liability clause in the event of a breach. The draft also provides for the creation of a supervisory authority responsible for verifying compliance with due diligence obligations.

However, Ethos will oppose the revision of the thresholds set out in the law. The Federal Council is proposing to limit the non-financial reporting obligation to companies with more than 1000 employees and a turnover of 450 million Swiss francs. According to estimates, the scope of application would thus be reduced from around 140 to 70 listed companies, and from 200 to 100 companies in total. This data is essential for institutional investors to fulfil their fiduciary duty, and the Climate Act specifically aims to realign financial flows with Switzerland's climate commitments. Such a drastic reduction in the scope of application is therefore a cause for serious concern. Ethos will publish a position paper by the end of June and encourages investors to highlight the importance of non-financial data for their investment decisions.

GOOD NEWS

The United Nations has approved, by 141 votes to 8, a resolution asserting that states have a legal obligation to combat climate change. Proposed by Vanuatu, the resolution endorses an advisory opinion issued by the International Court of Justice in July 2025, according to which states must reduce their consumption of fossil fuels and combat global warming. The eight countries that voted against the resolution were the United States, Saudi Arabia, Russia, Israel, Iran, Yemen, Liberia and Belarus.

Study after study is being published, yet the results remain the same. A survey by Morgan Stanley reveals that 92% of retail investors say they are interested in sustainable investing, up four percentage points since 2025. Interest has grown across all regions of the world: 88% in North America (84% in 2025), 94% in Europe (88%), and 93% in Asia-Pacific (92%). For the 64% who plan to increase their sustainable investments over the next year, confidence in performance is the most frequently cited reason.

A study by PwC confirms that the current anti-ESG movement has had no significant impact on companies' climate commitments. 82% of the companies analysed maintained or even increased their efforts last year to meet their climate targets. Better still, 23% have raised their targets, while 18% lowered them.

Finally, a report published by the Brazilian Institute for People and the Environment in the Amazon (Imazon) reveals a decline in deforestation in the Brazilian Amazon. Between August 2025 and March 2026, the rate of deforestation fell by 36% compared with the previous year.

In total, 1,460 square kilometres of land were deforested during this period, the lowest figure since 2018.

ENGAGEMENT UPDATE

Ethos and the members of the EEP International took part in the launch of two new collaborative engagement campaigns in May 2026. The first, coordinated by the NGO ChemSec, which campaigns for the replacement of toxic chemicals with safer alternatives, targets the ten largest sportswear companies. The aim is for them to stop using PFAS in their clothing.

The second campaign, coordinated by Shareholders for Change, targets 12 European companies to encourage them to strengthen their tax governance, improve transparency and demonstrate that their tax practices align with their long-term value creation and regulatory expectations. The campaign is based on a structured risk reporting methodology, using indicators such as the average effective tax rate over five years, the comprehensiveness of public country-by-country reports, or the existence of significant tax disputes.

For institutional investors, tax evasion represents a growing financial and systemic

PROXY SEASON UPDATE

Following BP's AGM, at which shareholders reprimanded the board of directors (and its new chairman, who has since been sacked) for failing to include a shareholder resolution on the agenda, all eyes were on Shell's meeting. Unlike BP, Shell had indeed included this very resolution in the agenda of its AGM. This resolution aimed to ask the company how it intended to continue creating value for its shareholders against a backdrop of predicted falling demand for oil and gas in the medium and long term. Ultimately the resolution received a 13% vote in favour. For Follow This, while the other items on the agenda were all approved by more than 94%, a double-digit level of opposition reflects shareholders' dissatisfaction and their doubts about Shell's strategy.

Nevertheless, this result gives pause for thought: among the shareholders still holding stakes in the major oil companies, few seem to be concerned about sustainability issues. In this regard, one of the largest US pension funds, the New York State Common Retirement Fund, has informed TotalEnergies that its decision to abandon two offshore wind projects in the US and redirect capital towards fossil fuels instead raises serious concerns and could prompt it to divest, according to a letter addressed to its CEO Patrick Pouyanné, seen by the Financial Times (paywall article).

Still in the US, representatives of major public pension funds are already concerned about the governance issues that SpaceX's IPO could raise. A listing means inclusion in indices and therefore in passive funds and institutional portfolios. In a letter addressed

risk. As holders of diversified long-term assets, they are directly affected when tax evasion erodes the public revenues on which their portfolios depend. However, the regulatory framework has evolved, notably with European Directive 2021/2101: companies operating in the EU with a turnover exceeding 750 million euros must now publish their tax data on a country-by-country basis. From the 2026 AGM season onwards, the first wave of these public reports will enable investors, for the first time, to assess whether the distribution of profits is consistent with the company's actual economic footprint. Companies that continue to concentrate their profits in low-tax jurisdictions with limited economic substance will come under close public and regulatory scrutiny.

Investors will engage in a structured dialogue with each company, focusing on tax governance, transparency and preparedness for upcoming regulatory changes.

to Elon Musk, they highlight in particular the dual-class share structure, which would allow Musk to retain 79% of the voting rights for 42% of the capital; the fact that the chairman will be de facto irremovable as he can only be removed with his own vote; the inability of investors to bring class actions, and the status of a 'controlled company', which would allow the company to circumvent the requirements for a majority of independent directors.

While we wait for the next season, which is already shaping up to be exciting, AGMs in Switzerland are drawing to a close: 166 of the 196 companies in the SPI index had already held theirs by the end of May. Ethos continues to collate the results and record key trends ahead of its next study on the 2026 season (remuneration, sustainability reports, board composition). In this regard, it is worth noting that the remuneration of the CEO of Bunge, a company listed in the US but based in Switzerland, reached 19.7 million US dollars in 2025, with variable remuneration equivalent to 12.3 times the base salary.

FIGURE OF THE MONTH

As surprising (and worrying) as it may seem, Elon Musk is not the only one to have been awarded a long-term remuneration package worth (almost) billions. The CEO of Welltower, a property investment firm specialising in healthcare infrastructure, could pocket 789 million US dollars over ten years (2026–2035) if he meets certain performance criteria. This is still a thousand times less than the potential remuneration of the Tesla boss. The excess does not stop there, however. According to SpaceX's IPO prospectus, Elon Musk's long-term remuneration is conditional upon the achievement of measurable quantitative targets, namely the colonisation of Mars by at least one million human beings… When reality and science fiction can no longer be distinguished, it is time to sound the alarm.

ETHOS NEWS UPDATE

In May, our CEO Vincent Kaufmann attended Holcim's AGM in person and Swatch's AGM virtually. Speaking to the cement manufacturer's shareholders gathered in Zug, he highlighted the discrepancy between the company's public climate commitments and its lobbying activities, as well as a long-term remuneration scheme likely to result in excessive amounts that are out of touch with reality.

At the Swatch Group's fully virtual AGM, he spoke twice by telephone. The first time to call for changes to corporate governance, notably the appointment of new independent members to the board of directors. A few minutes later, he denounced what amounts to a flagrant denial of shareholder democracy.

Finally, Ethos sent out invitations to its free webinars presenting in detail its training programme dedicated to sustainable finance. Thursday 11 June from 11.30am to 12.30pm for the French version and Tuesday 30 June from 11.30am to 12.30pm for the German version.

PRESS REVIEW

- Hayek family defeats activist investor's latest push to join Swatch board (Financial Times, 12 May 2026)
- Swatch Group: overwhelming support from bearer shareholders was not enough to elect Steven Wood (L'Agefi, 26 May 2022)
- Asset owners urge peers to back climate resolution at Shell AGM (Net Zero Investor, 26 May 2022)

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