Turning point
ETHOS NEWSLETTER ON GOVERNANCE AND SUSTAINABILITY

EDITORIAL : Climate change: a risk investors can no longer ignore

A relentless succession of heatwaves. Wildfires ravaging hundreds, even thousands, of hectares in France, Spain, Portugal, Greece and even Belgium. A tornado devastating a village in the south of France. Lakes that have all but dried up, and entire sections of our glaciers and mountains collapsing and rushing away in torrents.

The summer of 2026 has already marked a turning point, with the massive and unprecedented manifestation of the effects of climate change – the very dangers scientists have been warning us about for decades.

While the sight of this summer's monstrous forest fires is likely to haunt us for a long time to come, one question demands an answer: how can we invest responsibly today – including our pension money– without taking climate change into account? We should consider not only the impact of our investments on the climate, but also the risks climate change poses to the assets of the companies we finance.

Nuclear power stations are running at reduced capacity, river transport is at a standstill, agricultural production are scorched by drought, and fires and floods are now threatening not only flora and fauna and local communities, but also factories and production facilities.

Taking climate issues into account in investment decisions is no longer simply a matter of ethics, impact or conviction, but rather a matter of managing risk and asset value. The European Commission estimates that climate-related disasters are already costing the European Union around 1% of GDP, and that this figure could rise to 2.3% by 2050.
Yet many politicians are scaling back their climate ambitions. They would rather allocate funds to the military than to protect our forests.

In the United States, the administration is spending billions of dollars on natural gas while blocking offshore wind power. Amazon is building a massive gas-powered plant in Texas to supply energy to its data centres: With an output of 8 gigawatts, it will be four times more powerful than Flamanville, and will emit over 30 million tonnes of CO_2 per year, making it the country's biggest emitter.

However, solutions do exist. As Green Daily recently pointed out, the rapid expansion of solar energy is one of the greatest successes of the 21st century. After crossing the 100-gigawatt mark in 2012, it took the whole world only ten years to deploy 1 terawatt of solar power. It then took less than three years to build a further 1 terawatt – enough capacity to meet the entire peak electricity demand of the United States. The third terawatt was reached in less than two years, in 2026. All this happened without anyone really noticing.

Across the US border, Canada – far from being a model when it comes to fossil fuels – has just announced a record investment of 50 billion dollars in clean energy, led by hydro and wind power – enough to power Toronto, Montreal and Vancouver.

Yet many investors continue to ignore the impact of global warming on their assets' value. The highly short-term focus of the financial markets partly explains this persistent bias. However, its effects on GDP and the inflationary pressures it generates call into question most of the macroeconomic projections of traditional asset allocation models and asset-liability matching studies. The planet continues to warm, while governments, businesses and investors have yet to fully grasp the implications.

Two camps are now emerging: those who factor climate change into their decisions, and those who will pay the price. It is up to us to choose which side of history we place our money on.

LATEST NEWS

Rumours had been circulating for months, and the IFRS Foundation finally confirmed the news in a press release published on 18 August: the International Sustainability Standards Board (ISSB), established in 2021 to develop uniform international standards for non-financial reporting, will establish its headquarters in Geneva from 2027. Its chairman, Emmanuel Faber, will also be one of the keynote speakers at the Building Bridges conference, to be held in Geneva from 6 to 8 October.

Still in the world of sustainable finance, Morningstar Sustainalytics confirmed to Responsible Investor (paywall article) that it would be winding down its 'stewardship' activities at the end of November 2026, a move that came as a surprise to many. However, the company did not specify whether a sale of the business had been considered rather than a complete shutdown, nor how many staff members are affected.

On 12 August, the Federal Council announced that it was rejecting the initiative 'for a sustainable and future-looking Swiss financial centre' without putting forward a counter-proposal. In a press release, it stated that it was "committed" to a sustainable financial centre, but considered the proposed bans to be "questionable in an international context". The Ethos Foundation regrets this decision to rely exclusively on self-regulation, which has shown its limitations, and considers that financing the transition sometimes requires a regulatory boost.

The Federal Council also launched consultation procedures on amendments to the Banking Act and the Liquidity Ordinance. These amendments are part of a package of measures designed to strengthen the stability of the Swiss financial centre and this time focus on the governance requirements, notably remuneration, and crisis preparedness imposed on systemically important banks. Ethos will, of course, take part in this consultation, which is open until 19 November.

"Drill baby drill! ' Donald Trump had warned that he fully intended to pump as much oil as possible during his second presidential term. It is therefore no surprise that Greenland Energy, a Texan oil company whose chairman is close to the president's inner circle, has unloaded equipment intended for drilling new oil wells on Greenland's east coast, without the slightest authorisation from the country's authorities. However, following a "stern warning" from the Greenlandic government, the company and its partner, 80 Mile, announced in mid-August that the drilling would be postponed.

In the meantime, a coalition of 19 US attorneys general announced that it was joining a legal action against the Department of Defence, which is accused of freezing the review of wind power projects across the United States. In a letter, they argue that this freeze violates federal law and encroaches on the states' jurisdiction over electricity generation. By restricting supply while demand is rising, it would drive up energy prices, weaken the grid and threaten jobs and tax revenue. The complaint alleges that this freeze has blocked more than 100 projects.

EFRAG has published draft sustainability reporting standards for non-European companies subject to the CSRD. Unlike the ESRS applicable to EU companies, it is limited to environmental and social impacts and excludes risks, opportunities and resilience. Following the 'Omnibus' package, the number of non-European companies potentially affected has fallen from around 10'000 to 1200. Companies will also be able to choose whether to report on their global impacts or only those related to the EU – a proposal supported by the Commission, but criticised within EFRAG due to the risks it poses to comparability and 'greenwashing'. The draft is now subject to a 100-day public consultation, with the final standard expected in early 2027, before adoption by the Commission.

The US government has already urged the EU to further relax the CSDDD and the CSRD, arguing that the 'Omnibus' package does not go far enough. In a letter, the US has threatened to take action if the EU does not reduce the 'extraterritorial scope' of these texts or their due diligence and reporting requirements. The US calling for these rules to be restricted to European subsidiaries and business partners, for the US to be recognised as a 'negligible risk' jurisdiction, and for any mandatory climate transition plan to be scrapped.

In an investigation (paywall article), the Wall Street Journal has uncovered a little-noticed clause – buried at the bottom of the fifth page of the contract – in Elon Musk's compensation package worth up to 1'000 billion dollars approved by Tesla's shareholders last November. This clause stipulates that half of the operational targets on which this payment depends would be deemed to have been met if Tesla were to be acquired or taken over. However, as the newspaper points out, Elon Musk holds super-voting shares in SpaceX, giving him effective control of the company and, consequently, significant power to decide whether SpaceX acquires Tesla and at what price.

GOOD NEWS

It's not easy to find reasons to be cheerful in the midst of this sweltering summer. Digging a little deeper, however, we can uncover some good news, such as the return of capital to US sustainable funds (see the figure of the month).

On 17 July, the European Commission announced the launch of a new action plan for electrification, aimed at reducing the EU's dependence on fossil fuels. It will set an indicative electrification target of 46% by 2040, which would double the share of electricity in final energy consumption. This figure has remained stable at 23% for the past ten years. Achieving this target could enable the EU to reduce its fossil fuel import bill by 260 billion euros a year.

Meanwhile, Switzerland ranks first in Europe in terms of the electrification of road transport. Electric lorries accounted for 24.9% of new registrations in the first half of 2026, and this figure has been rising steadily since 2022. With such a high proportion, the Swiss market leads the way across Europe, ahead of the Scandinavian countries, the Netherlands and Austria, notes L'Agefi (a paywall article).

In 2025, 69%of companies subject to the EU's CSRD directive published climate transition plans, representing a significant increase compared with the previous year (55%). Furthermore, according to a recent report by EFRAG, which examined practices relating to the implementation of the European Reporting Standards (ESRS), more than half have set decarbonisation targets compatible with a warming trajectory limited to 1.5 °C.

Finally, there were also some positive surprises to note at AGMs. For instance, the majority of Alstom's shareholders (50.4%, including Ethos) voted against the payment of a 1.3 million euro severance package promised to the former chief executive, who left in March. This was in return for his commitment "to continue to cooperate regarding various pre-litigation or litigation proceedings involving the company". However, as Ethos noted in its analysis, this payment was proposed despite internal performance targets having been met by only 48%, and following two consecutive years without a dividend. This was enough to dampen the mood of the majority of shareholders.

ENGAGEMENT UPDATE

Tax responsibility has long been a key area of engagement for the Ethos Foundation, both in Switzerland and abroad. In 2018, Ethos sent an 'Engagement Paper' to the chairmen of the boards of directors of the 150 largest companies in the SPI index, setting out five expectations. Ethos

PROXY SEASON UPDATE

In the United States, institutional investors are rallying against a proposed SEC reform that could restrict their right to submit resolutions to general meetings. At the end of July, they submitted a petition to the financial markets regulator, urging it to uphold the principles of 'Rule 14a-8', which governs this right, and to restore its proper functioning, undermined by the institution's recent decisions. In November 2025, the SEC had announced that it would cease to adjudicate on almost all requests from companies to exclude shareholder resolutions, including those relating to environmental and social issues.

The Dutch NGO Follow This announced that it was abandoning plans to take legal action against BP, but has instead already decided emphasised even then that aggressive tax optimisation poses a long-term reputational and financial risk for companies and their shareholders and regretted the lack of information published by listed Swiss companies regarding their tax policies.

Eight years later, Apple's tax report illustrates the difference made by the shift from voluntary disclosure to a regulatory obligation. The European directive on public country-by-country reporting ('public CbCR') compelled Apple, for the first time, to detail the 131.2 million euros it paid in taxes in Germany (on revenue of 2.3 billion euros) and the 14.6 billion euros paid in Ireland.

This episode highlights a broader dynamic: rather than being in competition, shareholder engagement and regulation are complementary. A long-term commitment such as that undertaken by Ethos since 2018 operates upstream on two fronts. Firstly, it makes management and boards aware that a particular issue is a genuine concern for their shareholders, particularly those with a long-term perspective who focus on sustainable value and risk management. Secondly, by subsequently documenting best practices and formalising specific expectations at a very early stage, it informs regulators' thinking and, years later, lends legitimacy to binding rules such as the European public CbCR.

Once the regulations are in place, they in turn facilitate the work of shareholders by providing them with access to comparable and verifiable country-by-country data. Ethos can therefore base its dialogue on public facts rather than on partial voluntary disclosures, which strengthens the credibility of its requests. The case of Apple, like that of Microsoft – whose Irish subsidiary reported a pre-tax profit of more than 7 million dollars per employee in 2025 – shows that regulation creates a public information base on which shareholder engagement can rely

to table a new shareholder resolution at the company's 2027 annual general meeting. "We do not expect BP to block a shareholder resolution again after the outcry seen at the 2026 AGM," explains its director, Mark van Baal, in a press release. "We are choosing to continue our fight in boardrooms rather than in courtrooms."

As a reminder, in January, Follow This and a coalition of 16 institutional investors –including Ethos and some of its members – submitted a shareholder resolution calling on BP to unveil a strategy aimed at creating value for shareholders in a declining oil and gas market. However, BP refused to include this resolution on the agenda of its AGM. This resulted in a three-pronged rebellion at the AGM in April, with BP shareholders voting against a board resolution to remove climate-related disclosures (53%), against holding AGMs exclusively online (52%), and against the chairman (18%).

to monitor the actual evolution of practices over time.

FIGURE OF THE MONTH

For the first time since 2022, sustainable funds in the United States recorded positive net inflows during the second quarter of 2026, according to a study by Morningstar. These inflows, totalling almost 3 billion dollars, bring an end to 14 consecutive quarters of net outflows. Globally, capital inflows and rising share prices pushed the assets of sustainable funds to 398 billion dollars in the second quarter, up from 351 billion dollars in the previous quarter.

ETHOS NEWS UPDATE

On 26 August, the Ethos Foundation submitted its position in the consultation on the preliminary draft revision of the Swiss Code of Obligations regarding the transparency of proxy advisors. Ethos supports any initiative aimed at better regulating potential conflicts of interest involving these actors. The risk is real: a proxy advisor – or a company within its group – may advise a publicly traded company on a particular issue and then issue a voting recommendation on that same issue. However, Ethos believes the proposal misses the mark and has made recommendations aimed at addressing three specific points.

Earlier this summer, the Ethos Foundation also announced that it was partnering with PK-Netz to enable employee representatives serving on the boards of Swiss pension funds to strengthen their knowledge and skills in the areas of sustainable finance and active shareholding. As part of this partnership, members of foundation boards affiliated with a PK-Netz member organisation, as well as graduates of PK-Netz training courses, receive a 20% discount on all modules available on the Ethos education platform.

PRESS REVIEW

- SpaceX et l'ESG: réflexions sur une «arnaque» (Le Temps, 23.08.26)
- Roche vs. Novartis – das Duell der Giganten (Bilanz, 10.08.26)
- Investir durablement, c'est aussi agir (Allnews, 23.07.26)
- ABB ist ein Überflieger an der Börse. Damit das so bleibt, soll der bescheiden gestartete Chef Morten Wierod viel stärker mitverdienen (NZZ, 17.07.26)

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