Turning point
ETHOS NEWSLETTER ON GOVERNANCE AND SUSTAINABILITY

## EDITORIAL: Building bridges, not cannons

Can you really claim to be a sustainable investor while financing the arms industry? This burning question has fuelled numerous debates since war broke out on Europe's doorstep. Calls for rearmament – and its financing – are louder than ever, and the incursions of drones into European airspace in recent weeks are not helping matters.

For the Ethos Foundation, the answer is clear and has been consistent since its creation in 1997: Ethos excludes from its investment funds any company that derives more than 5% of its turnover from the production of conventional weapons – or their essential components – as well as any company involved in the production of non-conventional weapons, regardless of its level of involvement.

The arms sector is one of Ethos's eight sector exclusions, alongside tobacco, pornography, nuclear energy and coal. These are all industries deemed incompatible with the values of its members. While weapons can also be used for self-defence or peacekeeping, it is often difficult, if not impossible, to determine their end use and recipients.

Of course, excluding an entire sector can have a short-term impact on financial performance, especially when that sector is booming, as the arms industry is today. However, for Ethos, the issue goes far beyond returns; it is, above all, a question of values. Large-scale arms production remains incompatible with respect for human dignity and carries a major risk of environmental destruction.

It is also important to remember that national defence is the responsibility of states. It is one of their sovereign functions and is essential for maintaining peace and security on their territory. However, this role does not belong to pension funds – especially those that claim to take a sustainable and responsible approach to investment. Pension funds should prepare for the future, not fuel the logic of war. Purchasing securities on the stock markets in no way contributes to the building of a military arsenal to counter threats from another state. It serves mainly to generate financial returns.

For many companies and sectors, an active shareholder approach can achieve remarkable results in moving companies towards greater sustainability. But such an approach has its limits, particularly when it comes to transforming a company's business model and activities. Asking an arms manufacturer to produce something else is unlikely to succeed. Exclusion then becomes the only alternative.

Today, as some financial players are changing their tune, the Ethos Foundation remains convinced that investments should contribute to building, not destroying. As the 6th edition of the Building Bridges conference on sustainable finance opens in Geneva, it is more urgent than ever to build bridges rather than reduce them to ashes under cannon fire.

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## LATEST NEWS

The Federal Council will propose an indirect counter-proposal to the Responsible Business Initiative, whose provisions will not go beyond future EU regulations and will take into account international standards on due diligence and the publication of sustainability information. The specific details of its implementation will be published later, once the direction of future EU provisions (‘Omnibus’) is clearer. The Federal Council plans to adopt the preliminary draft and send it out for consultation by the end of March 2026.

According to the sixth ‘State of Transition’ report published by the Transition Pathway Initiative (TPI), the number of high greenhouse gas emitting companies whose 2050 reduction targets are aligned with the 1.5°C goal has risen from 118 last year to 167. However, this percentage remained at 30% as the TPI expanded its scope to 554 companies in 12 high-emission sectors, up from 409 companies in 11 sectors last year. Consequently, the collective emissions of these 554 emitters are still on track to exceed the 1.5°C target by 61% by 2050.

Swiss Re announced that it no longer wishes to obtain validation from the Science Based Targets initiative (SBTi) for its climate targets. The company stated that its sustainability strategy remains unchanged, including its Net Zero target by 2050. While Swiss Re did not provide a reason for its decision, the announcement follows a campaign by anti-ESG politicians in the United States warning the SBTi and its financial sector participants of possible violations of antitrust and consumer protection laws.

In the United States, this anti-ESG witch hunt continues. The Texas Attorney General has launched a new investigation into the two proxy advisors ISS and Glass Lewis, following an injunction against the law he was defending. This new offensive does not mention the law, which requires proxy advisors to flag their recommendations with an anti-ESG warning. However, it targets their recommendations using the same accusations, namely that they ‘promote radical political agendas rather than sound financial principles’, suggesting that they may violate state consumer protection laws.

Donald Trump’s anti-ESG rhetoric, who called climate change ‘the greatest con job ever perpetrated on the world’ during his visit to the United Nations, is emboldening some companies. Exxon Mobil, for example, is seeking to muzzle its disobedient shareholders by implementing a mechanism that will automatically execute the uninstructed votes of individual shareholders in accordance with the board of directors' recommendations at general meetings (AGMs). This measure, which was immediately approved by the SEC, could giving boards of directors a crucial and unfair advantage, particularly on votes related to ESG issues. Opponents also fear that other companies will follow Exxon Mobil's example.

That's not all! According to an article in Reuters, the American oil company is also attacking the European Corporate Sustainability Due Diligence Directive (CSDDD) and is counting on the US president to help it in its quest. Exxon Mobil CEO Darren Woods is calling for the directive to be repealed entirely, saying that even the proposed amendments to relax its requirements are insufficient.

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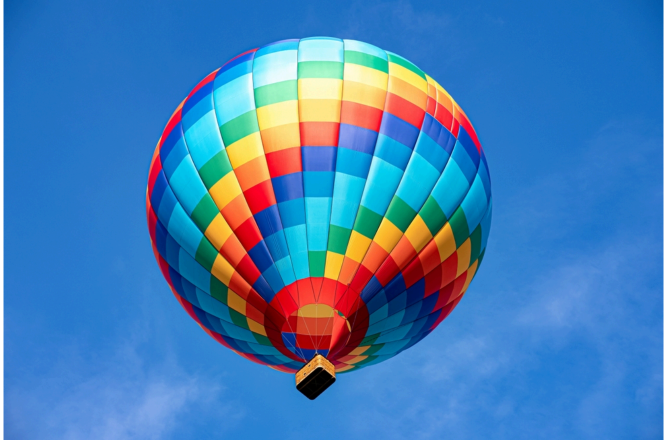
## ENGAGEMENT UPDATE



## GOOD NEWS

There has been a lot of talk lately about the anti-ESG movement and the headwinds facing sustainable finance. And that's normal. The daily news brings its fair share of bad news, most of which comes from the United States. However, while banks are withdrawing from major climate alliances and institutional investors are threatening to stop working with asset managers accused of 'wokeness', the opposite is also true.

The Dutch pension fund PFZW, one of the largest in Europe with nearly EUR 250 billion in assets, has terminated two mandates with BlackRock and LGIM, worth EUR 14 billion and EUR 15 billion respectively, following the adoption of a new investment strategy in which financial performance, risk and sustainability are given equal importance. PFZW considered that other managers were 'better placed' to implement this strategy. Last February, the British fund People's Pension also withdrew £28 billion from State Street, stating that it prioritised 'sustainability, active management and long-term value creation'.

Speaking at the United Nations, Donald Trump also attacked renewable energy, calling it a "joke" and describing wind turbines as "pathetic". He added that China had "very few wind farms". He also criticised the UK for focusing on wind energy rather than making more effort to explore oil deposits in the North Sea. He ridiculed wind and solar farms "that stretch seven miles long and seven miles wide", saying: "We will not let that happen in America".

In reality, as Bloomberg points out in its 'Green Daily', renewable energy is increasingly powering the global economy, particularly in China. According to a recent report by the Ember think tank, in 2024, 84% of the country's growth in electricity demand was met by wind and solar power. China has three times more wind power capacity than the United States and is the world leader in clean energy installation. Meanwhile, the United Kingdom derives nearly a third of its electricity from wind power, making it the country's primary source of energy. "Trump's views on British energy policy are about as credible as his

In September 2025, regulations on per- and polyfluoroalkyl substances (PFAS) in Switzerland underwent a change with the announcement of autonomous regulations aimed at strengthening control of these so-called 'forever' pollutants. Already covered by the Ordinance on the Reduction of Risks Related to Chemical Products, certain PFAS such as PFOS, PFOA and PFHxS have been banned for several years, but the Federal Council is now planning a stricter framework, in line with the EU, to limit their presence in drinking water and reduce health and environmental risks. A detailed report and new measures are expected by the end of 2025.

Meanwhile, an international investor initiative, coordinated by the NGO ChemSec and involving Ethos and members of the Ethos Engagement Pool International, is putting increasing pressure on major producers and users of hazardous chemicals. Representing more than $18 trillion in assets, these investors are calling on companies to adopt greater transparency on their PFAS-related revenues, publish phase-out plans with clear deadlines, and develop safer alternatives. These demands are based on the financial, legal and reputational risks associated with dependence on persistent substances, in a context of rapidly tightening regulations.

In recent months, some progress has been made: some companies have begun to publish substitution commitments or announce deadlines for phasing out PFAS. However, concrete implementation remains limited. The dialogue between investors and companies is ongoing and supported by a growing alignment of regulatory frameworks, such as those in Switzerland. The evolution of Swiss law could thus act as a catalyst, accelerating the adoption of more ambitious standards at the international level and strengthening the consistency between public regulation and the expectations of responsible investors.

claims that paracetamol causes autism", quipped Tessa Khan, CEO of the British NGO Uplift.


## FIGURE OF THE MONTH

This is the bad news of the month: a seventh planetary boundary – out of the nine identified – has now been exceeded. This relates to the level of ocean acidification. ‘This change, mainly due to the burning of fossil fuels and exacerbated by deforestation and land use change, is degrading the oceans' ability to act as stabilisers for the Earth,’ the Potsdam Institute for Climate Impact Research said in a statement.

## ETHOS NEWS UPDATE

At the end of September, Ethos participated in the consultation process launched by the Federal Department of Finance with a view to revise the bank capital adequacy ordinance. In its public statement (in German or French), Ethos welcomes the changes proposed by the Federal Council but considers that the reform relating to additional capital (AT1) remains incomplete.

Although the Ethos Foundation is not organising an event this year at ‘Building Bridges’, it will nevertheless be well represented at this conference dedicated to sustainable finance, which opens on Tuesday in Geneva. Our CEO Vincent Kaufmann will participate in a round-table discussion on climate risks and how asset owners can manage them. Our Head of Engagement Matthias Narr will participate in a workshop on human rights, while our deputy CEO Anthony Gloor will participate in a panel discussion on regulation and corporate environmental and social responsibility.

On 25 September, Ethos attended the ‘Say on Climate 2025’ event organised in Paris for the third consecutive year by the FIR and ADEME. This was an opportunity to present the main trends and conclusions of the 2025 season of general meetings and votes on companies' climate strategies and plans.

**Press review :**

- « Finance et durabilité: le chemin est encore long » (RTS, 26 septembre 2025). Notre directeur Vincent Kaufmann était l’invité de l’émission radio « On en parle » pour discuter finance durable et engagement climatique des banques.
- « Pourquoi l’investissement durable n’est plus la priorité des caisses de pension » (Le Temps, 29 septembre 2025).
- « La rémunération des dirigeants atteint encore des sommets cette année » (Novethic, 11 septembre 2025).
- « Le président du conseil d'administration de Nestlé partira plus tôt que prévu: interview de Vincent Kaufmann » (RTS, 17 septembre 2025).



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.

PRI Principles for Responsible Investment

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.

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