

Turning point

ETHOS NEWSLETTER ON GOVERNANCE AND SUSTAINABILITY



EDITORIAL: The return of excessive remuneration

19.5 million francs for the CEO of Novartis. 14.9 million for the CEO of UBS. Or 15.4 million for the CEO of Sunrise (which benefited from its re-listing on the stock exchange in 2024). Inflation in Switzerland is not just about food or real estate. As predicted in [our study](#) published in September 2024, the remuneration of the executive managers in the largest listed companies in Switzerland has also skyrocketed in recent years.

The fight against excessive remuneration is closely linked to the development of sustainable finance in Switzerland over the past two decades. While we are still a long way from the levels recorded in the 2000s, which were revisited in [the first episode](#) of our podcast series published last year, the current situation is certainly worth reflecting on. Or even worrying about. Because excessive remuneration, often linked to bonuses, can encourage managers to take excessive risks and contribute to the downfall of a company, as the Credit Suisse example has sadly reminded us.

For Ethos, the fight against high salaries is not an end in itself. Companies must have an attractive remuneration system to be able to attract, motivate and retain the best managers. Such a system must also align the interests of the people concerned with those of the shareholders by contributing to long-term value creation.

However, an excessive remuneration system represents a significant cost that weighs on a company's results. Above all, it can strongly influence the risk-taking behaviour of certain managers and, indirectly, the strategic direction given to the company. Finally, an inadequate remuneration system represents a significant reputational risk that can jeopardise shareholder confidence and employee motivation.

That is why Ethos has included in its [proxy voting guidelines](#) and corporate governance principles a list of criteria to be respected in order to avoid excessive levels of remuneration. First of all, remuneration should be in line with the size, complexity, performance and prospects of the company. The basic salary should therefore not be higher than the median of a peer group of companies. Variable remuneration should not exceed twice the base salary – or three times for the CEO – in the case of exceptional performance.

These limits are applied in European banks and have not prevented some of them, such as BNP Paribas with its 11.7 billion euros profit, from posting record results in 2024.

LATEST NEWS

Diversity, armament and oil. These are three sustainability-related topics that have been the subject of much discussion in March. When they are mentioned, it is easy to imagine news that is not necessarily the most cheerful.

To begin with, more and more companies operating in the United States are backing away from their diversity commitments, either to please the Trump administration or for fear of legal action. This is the case with Roche and UBS for example. While companies must respect the laws of the countries in which they operate, it is less clear why some have decided to abandon their efforts to promote diversity on a global scale. Fortunately, as a survey reveals that not all investors are ready to do the same: 90% consider diversity to be a high or moderate priority in their engagement and stewardship activities.

In Europe, another debate is re-emerging: are weapons and sustainable finance compatible? As the EU embarks on its forced rearmament and the industry complains about the difficulties it faces in attracting investors, particularly because the sector is excluded from many sustainable funds (starting with Ethos), voices are being heard calling for change. We note the position taken by Stephen Davis, co-founder of the PRI, and the opinion piece by Philippe Zauati, CEO of Mirova.

In other news, a study estimates that \$2.28 trillion of assets linked to the fossil fuel industry could lose their value by 2040. This is what is known as 'stranded assets'. The authors are particularly concerned that the losses could amount to 19 billion US dollars for British pension funds alone, which represents 3279 US dollars per insured person in the UK. 'Too many oil and gas companies are betting on demand that will not materialise in a decarbonising world, and it is the public that risks footing the bill,' they stress.

In Switzerland, the Federal Council has taken note of the results of the consultation procedure in which Ethos took part last summer and has announced that it will instruct the Department of Justice and Police to draw up 'pragmatic' and 'concrete' proposals for the sustainable management of companies. These proposals outlined will concern both the publication of information and due diligence. However, the Federal Council will decide on the follow-up of the project after the EU has decided on the simplification of its own regulations ('Omnibus'). By spring 2026 at the latest.

At the same time, the Federal Council has launched a consultation on the revision of the Ordinance on Climate Reporting, in particular to strengthen expectations towards the financial sector. Ethos participated in this consultation and our position paper is available on our website (in German).

In Europe, a growing number of voices are concerned that the simplification and rationalisation project could go too far and prejudice global climate objectives, starting with the former president of the European Central Bank, Mario Draghi, who himself contributed to the creation of the rationalisation project.

Meanwhile, in the US the Trump administration continues to undermine everything related to sustainability: rejection of the UN SDGs and withdrawal from the loss and damage fund. A Republican senator has also introduced a bill to prevent US companies from being subject to 'harmful extraterritorial EU regulations'. The Corporate Due Diligence Directive (CDDD) is in their sights.



STEWARDSHIP SPOTLIGHT

GOOD NEWS

Among the good news this March, we can note the progress made by Zurich Insurance Group and Swiss RE in terms of climate reporting. Both insurers have improved both the transparency, and the quality of the content published compared to the previous year. Zurich, for example, published for the first time part of its greenhouse gas emissions related to its insurance activities, in direct response to a requested made by Ethos.

While it is clear that further progress is still needed, particularly with regard to the setting and

The general meeting season is in full swing. In Switzerland, where Ethos has already issued voting recommendations for 58 meetings (out of a total of 264), the AGM of Novartis was among the most eagerly awaited in March. Our CEO Vincent Kaufmann travelled to Basel to speak at the last general meeting of the outgoing chairman of Novartis. While he praised his work and his openness to dialogue, he also took the opportunity to warn against the increase in remuneration. He pointed out that the chairman had had to work hard to regain the trust of shareholders, which had been severely damaged precisely by years of excessive remuneration prior to his arrival in 2013.

The next exciting general meeting will certainly be those of UBS (10 April) and Nestlé (16 April), particularly with regard to remuneration issues, but also the meeting of BP. The oil company has decided to lower its climate targets without going through the general meeting, as requested by a group of investors, including Ethos and the members of the EEP International. It remains to be seen whether the shareholders dissatisfied with this backtracking will vote against the re-election of the chairman of the board, as recommended by Follow This. The answer will be known at the annual general meeting on 17 April.

As usual, Ethos will publish all its voting recommendations for listed companies on its website five days before their AGM.

implementation of climate targets, this development has led Ethos to recommend the approval of Zurich's sustainability report this year, unlike last year.

In other good news, TUI's shareholders did not give their approval to the organisation of purely virtual AGMs in the future. This makes TUI the second major listed company in Germany, after Siemens, to oppose the board of directors on this specific point since the start of the proxy season. As a reminder, a coalition of investors, including Ethos and members of the EEP International, had launched an engagement campaign on this issue in Germany at the end of 2024.



ETHOS NEWS UPDATE

Last week, Ethos published the annual reports of its engagement programmes, the Swiss and International Ethos Engagement Pools (EEP). These reports present the shareholder dialogue activities carried out with listed companies on environmental, social and governance issues. While the summary reports are available on the Ethos website, the detailed reports are reserved for members of the two pools.

Ethos has also brought together a group of 22 institutional investors, representing 512 billion francs in assets, to publish an investor statement urging the Federal Council and the Swiss Parliament to strengthen corporate due diligence on human rights and the environment. The signatories emphasise the need to harmonise Swiss regulations with those of the EU to ensure the competitiveness of Swiss companies and their attractiveness to international investors.

The first ACT analysis sheets for companies submitting their climate strategy to a shareholder vote ('Say on Climate') have been published on the FIR website. As a reminder, Ethos analysts carry out the research on companies listed in Switzerland and Europe that are not covered by the WBA or ADEME.

Press review :

- **Ethos, CPEG start new engagement campaign with largest asset managers:** Our new engagement campaign has been the subject of several articles (IPE, 6 March 2025).
- **A salary of 15 million for the boss of UBS, is that too much?** Our CEO Vincent Kaufmann took part in a debate on the radio programme Forum following the publication of the UBS remuneration report (RTS, Forum, 17 March 2025).

- **Über 19 Millionen Franken: Die üppige Vergütung für den Novartis-Chef gibt an der Generalversammlung viel zu reden.** In this paid article, the NZZ questions the remuneration of the CEO of Novartis (NZZ, 7 March 2025).
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