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CORPORATE GOVERNANCE OUTLOOK AND CHANGES IN PROXY ADVISORS LANDSCAPE

As of this year, the Swiss "comply-or-explain" rules with respect to gender representation on boards of directors of large, listed companies apply. We explain the implications for companies in scope of the newly applicable regulation.

The largest proxy advisors have updated their proxy voting guidelines for the AGM season 2026. In this briefing, we highlight the most important developments, both with respect to overall trends as well as specific governance and reporting topics.

In a nutshell, Swiss listed companies should take active steps to intensify their dialogue with shareholders to better understand their positions on relevant topics.

INTRODUCTION

As Swiss listed companies approach the 2026 AGM season, the world's largest proxy advisors *ISS* and *Glass Lewis* as well as their Swiss equivalent *Ethos* have each published their updated voting guidelines reflecting evolving governance expectations. Most notably, the recent developments in the United States – on 11 December 2025, President Trump issued an Executive Order targeting proxy advisors – have not had a significant impact on the proxy advisors' European guidelines. Despite speculation that ESG requirements might soften following the developments in the United States, proxy advisors for the Swiss market continue to apply, and in certain areas have further refined, their standards on sustainability, board diversity, and disclosure practices.

This briefing highlights the material changes and practical implications for issuers preparing for shareholder meetings in 2026 and provides an outlook beyond the upcoming AGM season.

KEY ACTION POINTS FOR SWISS ISSUERS

To prepare for the 2026 AGM season, we recommend that Swiss listed companies prioritize the following:

Intensify shareholder communication: Overall, the trend is moving towards less standardized and more nuanced voting guidelines (or even the abolition of standardized guidelines in favor of individual recommendations), which we expect will lead to less predictable voting behavior in the future. Issuers are therefore well advised to intensify the dialogue with their larger shareholders within the permissible limits to have a better understanding of their positions on specific issues.

Board gender diversity: The five-year transition period pursuant to article 734f of the Swiss Code of Obligations ("CO") has expired; larger listed companies must now meet the 30% threshold with respect to each gender's minimum representation on the

board of directors or provide explanatory declarations ("comply-or-explain").

Climate strategy and accountability: Ethos has taken a firmer stand towards high greenhouse gas emitters, underlining the continuous need for a clear strategy on sustainability.

Non-financial reporting assurance: Glass Lewis and Ethos have updated their positions with respect to the audit of non-financial reports, which has become the standard among Swiss issuers.

Continuing divergence between US and European approaches to ESG topics: While the political climate in the United States has led to an ongoing decline in priority when it comes to ESG and, in particular, DEI topics, at least on the federal level and in certain states, guidelines covering the Swiss market have remained steadfast on these requirements. This poses particular challenges to companies aiming to satisfy both Swiss and US requirements such as the increasing number of Swiss companies with a US listing.

GENERAL TRENDS

While there are no imminent disruptive developments to report on in the Swiss proxy advisor landscape, global trends indicate that we may not be far from seeing fundamental changes to how voting recommendations will look. According to reports in the Wall Street Journal and other media, JPMorgan Chase's asset management division, in a move that could signal a potential shift in the proxy advisory industry, is ending its collaboration with proxy advisory firms and is relying on its in-house artificial intelligence ("AI") platform. It remains to be seen how the increasing influence (and the increasing capabilities) of AI will impact (i) to what extent voting guidelines/recommendations remain in demand and (ii) how these voting recommendations will be arrived at.

As a second notable development, Glass Lewis has indicated that from 2027 it will discontinue the publication of its benchmark policy guidelines and will no longer provide research and voting recommendations. It referred to AI as a main reason for such move, mentioning that AI allows for "highly customized approaches to voting". This already underlines the growing importance of AI, which could shake up proxy advisors' business models.

Glass Lewis' reference to customization is testament to another overall trend: the move away from a one-size-fits-all approach to corporate governance to more individualized recommendations on a case-by-case basis. This is consistent with the updated proxy voting guidelines published by BlackRock Investment Stewardship, which emphasizes Blackrock's tendency to take decisions on a case-by-case basis.

IMPORTANT SPECIFIC UPDATES

(COMPOSITION OF) BOARDS OF DIRECTORS

As of this year, the five-year transition period pursuant to article 734f CO has expired. As a consequence, larger Swiss issuers within the scope of article 734f CO (i.e., listed companies that exceed the thresholds relevant for determining the requirement of an ordinary audit) must now either meet the 30% threshold for each gender's representation on the board of directors or, if such threshold is not met, indicate in the remuneration report: (i) the reasons why genders are not represented as required and (ii) the measures being taken to increase representation of the less well represented gender (so-called "comply-or-explain" approach). The first remuneration reports that must include such reasons and mitigation measures will have to be published in 2027 for the financial year 2026. Notably, according to a study by Ethos, approximately half of all SIX-listed companies are expected to be obliged to explain not reaching the threshold of 30% in 2026. In addition, to ensure future compliance for companies that already satisfy the requirement, the new requirements should be considered in the companies' nomination procedures.

The 20% threshold for each gender's representation on the executive board, also provided by article 734f CO, will only become effective in 2031. This staggered effect takes into account that companies require more time to become compliant with the requirements on their executive boards.

Furthermore, the proxy advisor ISS, in its 2026 guidelines, amended its classification of *executive directors*. Formerly, directors who receive compensation "that are in line with the highest-paid executives of the company" were classified as 'executive directors'. Under the revised guidelines, only employees or executives of the company qualify as 'executive directors', and directors receiving compensation comparable to the top executives of the company will be classified as 'non-independent non-executive directors' (with the caveat that if there is evidence of management duties, a classification as 'executive director' may be considered). While both categories qualify as non-independent for purposes of the board composition, this can still have practical implications (e.g., with respect to the number of board seats when determining whether a director is 'overboarded').

Moreover, it is notable that Ethos has tied matters of climate strategy to the (re-)election of board members and the granting of discharge. In cases where a company with high greenhouse gas emissions either (i) does not plan a vote on the sustainability or climate report and has not adopted a compelling climate strategy, or (ii) fails to act after significant shareholder opposition to its sustainability or climate report, or after strong support for a shareholder resolution on the company's climate strategy, Ethos may oppose the (re-)election of the chair of the sustainability committee. Where such a company has not adopted a compelling climate strategy and does not foresee a vote on the sustainability or climate report or the election of the chair of the board or the sustainability committee, Ethos may recommend voting against the granting of discharge.

NON-FINANCIAL REPORTING

While external assurance of the non-financial report is currently not a legal requirement in Switzerland (but recommended by the Swiss Code of Best Practice for Corporate Governance), the trend shows, according to a study by Ethos, that an increasing number of companies (80 of 137 in 2025; 61 of 140 in 2024) have opted to obtain at least limited assurance by an audit firm on their non-financial report (with 71 out of 80 with limited assurance in 2025).

In this context, Ethos has introduced a new chapter on the topic of electing the audit firm responsible for auditing the sustainability report, which apart from limited differences largely aligns with the requirements for electing the audit firm for the financial statements. Glass Lewis has similarly reinforced its position with respect to non-financial reports: Under its 2026 guidelines, when the auditor refuses to provide an opinion, or provides a qualified or adverse opinion, on a company's non-financial reporting, it may recommend that shareholders vote against proposals to approve the non-financial report. We expect that the proxy advisors' focus on assurance on the non-financial report will further increase.

From a legislative perspective, it is to be expected that with the proposed stricter rules for sustainability reporting, Swiss law will also introduce a requirement to obtain assurance on the non-financial report by an audit firm. However, this legislative project is currently, in view of the European Union's "Omnibus I" project aiming at simplifying and streamlining EU sustainability due diligence and reporting requirements, on hold.

SHARE REPURCHASES

On the topic of share repurchases, with respect to buyback programs to be approved by the shareholders' meeting, Ethos has abandoned its previous distinction between repurchases for purposes of cancellation and repurchases for other reasons. The updated guidelines now distinguish between share repurchases on the one hand and capital reductions via share cancellation or via par value on the other hand. Notably, the 2026 guidelines newly introduced that buyback programs that are "inappropriate given the financial situation and perspectives of the company" may be opposed.

This is in addition to Ethos' view that, outside particular circumstances, the authorization to decrease the capital within a capital band should be limited to 5%, which considerably restricts a company's flexibility in terms of share buybacks and capital reductions as introduced with the corporate law reform in 2023.

OUTLOOK AND KEY RECOMMENDATIONS

The updates to the proxy advisors' guidelines for the Swiss market have not revealed any major changes but instead implemented more nuanced approaches to certain topics. Importantly, proxy advisors have not transferred their abandoning of sustainability and diversity matters to the European and Swiss market; contrary to certain developments in the United States, these topics remain a priority. For issuers with split Swiss and US shareholder bases and, therefore, mixed expectations in view of the different political developments, this means that finding the right balance on these topics remains a priority.

In the short and medium term, it remains to be seen how broader trends such as the increased use of AI and more individualized recommendations will develop. It may well be that, following Glass Lewis' and JP Morgan Chase's examples, the proxy advisor landscape is about to see fundamental changes. In any case, it can be expected that an increasing number of investors, with the support of internal or third-party AI models for data analysis and voting recommendations, will start making their own decisions as to voting, which might lead to less predictable outcomes at general meetings.

In view of these trends, it remains increasingly crucial for Swiss issuers to intensify the dialogue with their larger shareholders within the permissible limits to ensure that companies reliably know the basis on which their biggest investors will cast their votes. To know the investors' expectations and to avoid surprises about investors' voting behavior, it is paramount that such exchange occurs in a structured manner and on a regular basis.

On a final note, the Swiss Federal Council plans a consultation process with respect to an amendment to the CO (stock corporation law) that aims at tighter rules on the disclosure of conflicts of interest on the part of proxy advisors. To this end, there is a plan to oblige stock corporations to disclose any conflicts of interest on the part of the company or the proxy advisors in advance of the general meeting as part of their information and disclosure obligations. The intention is to enable shareholders to exercise their voting rights on a more informed basis. The consultation process is scheduled to start in April 2026; we will provide further information on this development as soon as it becomes available.

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