ADVESTRA INSIGHTS

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Proxy Advisors and their revised Guidelines: a closer look at the AGM season 2026

As Swiss listed companies prepare for the upcoming AGM season, this edition of Advestra Insights presents the key changes in the 2026 voting guidelines of the three leading proxy advisors active in Switzerland, ISS, Glass Lewis and Ethos.

1 INTRODUCTION

For 2026, as in previous years, the three dominant proxy advisors, ISS, Glass Lewis, and Ethos updated their voting policies to reflect evolving market expectations, developments in legislation and corporate governance. The 2026 cycle is no exception.

This Advestra Insights summarizes the most relevant changes, focusing on board governance, ESG reporting and share repurchase.

2 GOVERNANCE RELATING TO THE BOARD OF DIRECTORS

Board governance of Swiss listed companies remains a priority area for proxy advisors. Although most principles laid out in the guidelines remain unchanged, there are some amendments that are worth highlighting.

2.1 Executive board members

ISS refined its approach to director classification to distinguish more accurately between operational roles and independence. Under the former guidelines, the classification was relatively broad, with any (formally) non-executive director who received salaries, fees, bonuses and/or benefits comparable to the highest-paid executives being treated as an independent director.

Under the 2026 guidelines, ISS will apply a stricter and more nuanced approach. A non-executive director will be classified as non-independent (and, depending on the evidence

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of the duties, as executive) if such director receives performance based remuneration comparable to the company's top executives Beyond that, the "executive director" label will be reserved for employees or executives of the company. This shift emphasizes substance over form, ensuring that directors are classified pursuant to their actual role and not their formal title.

2.2 Gender diversity

Starting in 2026, the five-year transition period under the Swiss Code of Obligations (CO) for gender representation on boards of directors expired. According to article 734*f* CO, Swiss listed companies exceeding the thresholds set out in article 727 paragraph 1 no. 2 CO[1] must now meet a 30% gender quota or, under the "comply-or-explain" approach, disclose the reasons for non-compliance and the measures planned to address it. By contrast, the 20% gender quota for the management remains subject to a transitional period and will be effective only in 2031, leaving companies another five years to reach the quota before they comply-or-explain regime kicks in at this level.

In alignment with this regulatory development, Glass Lewis has slightly shifted its focus to the qualitative aspects of disclosure while maintaining exceptions for smaller boards. Accordingly, it expects companies failing to meet diversity thresholds to provide a compelling disclosure, such as a formal commitment to address gender gaps in future election cycles.

2.3 Lack of climate strategy as grounds to withhold approval

Meanwhile, Ethos has increased pressure on high-greenhouse gas (GHG) emitters. The absence of a compelling climate strategy and the lack of a shareholder vote on the sustainability or climate report constitute a reason for Ethos to oppose the (re-)election of the chair of the sustainability committee. If the election of the chair of the board of directors or the sustainability committee is not submitted to the shareholder vote, Ethos may also oppose the granting of discharge (*décharge*) of the board of directors and the approval of the annual report. We dive further into sustainability topics in the next chapter.

3 ESG REPORTING

The political climate in the U.S. under the Trump administration and elsewhere has signaled a shift toward scaling back public sustainability and ESG commitments. Despite this development, ESG remains a focal point of many institutional investors. For Swiss listed companies, this means maintaining a high level of transparency.

3.1 Audit of non-financial reports

Swiss law does not stipulate an obligation to have the non-financial report externally audited. In practice, however, many Swiss listed companies have begun obtaining external assurance on a voluntary basis to meet investor expectations and prepare for international alignment, in particular EU requirements. The EU framework under the CSRD requires an external audit of the sustainability report. While the original framework envisioned scaling up from "limited assurance" to "reasonable assurance", the recently adopted Omnibus Package I has moderated this path. The package no longer foresees a requirement to move toward reasonable assurance standards.

Ethos has introduced a new dedicated chapter for the election of the audit firm for the sustainability report. Ethos' new guidelines largely align the requirements for sustainability auditors with those applicable to financial statement auditors (e.g., maximum tenure limit of 20 years and fee cap for the services paid by the relevant company to its external

[1] Two of the following three thresholds must be exceeded in two consecutive years in order to fall within the scope of article 734*f* CO: (i) Balance sheet total of CHF 20 million, (ii) revenue of CHF 40 million, (iii) 250 full-time employees.

audit firm, which is limited to 10% of that audit firm's turnover). However, they differ in certain respects. In particular, the requirements applicable to the financial auditor impose detailed quantitative fee caps for non-audit services, whereas the criteria for the sustainability auditor are more principles-based and qualitative. Rather than relying on specific percentage caps, they focus on the existence of "significant doubts" regarding the independence arising from involvement in areas beyond the audits. Unfortunately, the guidelines do not specify what constitutes such "significant doubts", merely stating that mandates beyond the audit may undermine independence depending on their "recurring nature and importance". This lack of a clear definition is unfortunate as it provides limited practical guidance for Swiss listed companies.

Finally, where the same audit firm is responsible for both, the financial and the sustainability audits, an opposition to its election for the financial audit necessarily extends to its election for the sustainability audit.

Glass Lewis has also strengthened its stance in this field, explicitly addressing the growing use of limited assurance by independent external auditors on either the full non-financial report or selected indicators within the report. The Glass Lewis 2026 guidelines encourage shareholders to oppose non-financial reports if the statutory auditor has issued a qualified or adverse opinion, or has refused to provide an opinion.

3.2 Assessment of sustainability and climate reporting

Ethos has restructured for 2026 its criteria for sustainability and climate reports into two distinct categories.

— The "Transparency" category focuses on whether the report covers all material items with quantitative indicators verified by an independent third party.

— The "Ambition and Performance" category evaluates whether the company's climate strategy is aligned with the Paris Agreement (1.5°C pathway), sets ambitious, quantitative and independently validated targets and whether the company consistently achieves these targets without unjustified backtracking or deterioration in key indicators over a three-year period.

Ethos will further recommend rejecting the annual report and accounts of high-GHG emitting companies, if a compelling climate strategy is missing and no agenda item allows shareholders to express dissent.

4 SHARE REPURCHASE

Ethos has revised its guidelines for share repurchases, abolishing the previous distinction between repurchases intended for cancellation and those without cancellation. While we expect that the practical implications are somewhat limited, the revised distinction provides for some nuances worth to highlight.

The revised framework now differentiates between share repurchases, which largely correspond to the former category of repurchases without cancellation, subject to one notable exception discussed below, and capital reductions, which align with the previous category of repurchases with cancellation or reductions via reimbursement or par value. In cases where a share repurchase is followed by cancellation, both sets of criteria—those governing share repurchases and those applicable to cancellations—must be considered in our view. This dual assessment introduces therefore a more stringent approach than under the prior guidelines.

Criteria for share repurchases include restrictions on the volume of the share repurchase and the repurchase price/amount of reimbursement, the protection of shareholder rights as well as the interests of other stakeholders. Furthermore, Ethos has introduced a new criterion: share repurchases that are deemed inappropriate in light of the company's financial situation and outlook will not receive Ethos' support. For the avoidance of doubt, these criteria are only relevant if the share repurchase is subject to a shareholder vote and does not fall within the board's competence.

As before, Ethos' guidelines limit the flexibility for a capital reduction within the capital band remains restricted limiting capital reductions to 5% unless the company provides adequate justification.

Overall, Ethos severely curtails the increased flexibility for capital reductions and share repurchases allowed by the legislator in connection with the corporate law reform.

5 CONCLUSION AND OUTLOOK

While the guidelines of the major proxy advisors relevant for Switzerland remain largely unchanged for the 2026 AGM season, several targeted amendments require consideration by Swiss listed companies.

Contrary to expectations triggered by developments in the U.S., there is no rollback of sustainability or diversity requirements. Proxy advisors continue applying stringent standards and, in certain areas, have further emphasized their expectations.

Swiss listed companies should therefore expect continued scrutiny of board independence and composition, heightened expectations for non-financial reporting and capital maintenance. The divergence between the U.S. and Europe on ESG topics constitutes a difficult stretch for Swiss listed companies with an international investor base, which need to meet the expectations of their U.S. as well as their European investors.

As a further trend, the Wall Street Journal reported recently that JP Morgan Chase's asset management division has severed its relationships with traditional proxy-advisory firms, opting instead to utilize its proprietary AI platform, Proxy IQ, to support on voting decisions for U.S. companies. While this decision will not impact the current AGM season in Switzerland, it offers a glimpse into the evolving landscape of proxy advisory services.

Furthermore, the emergence of AI-driven tools holds the potential to disrupt the longstanding dominance of traditional proxy advisors, potentially leading to a broader spectrum of advisory perspectives. Although it would be premature to discount the influence of established proxy advisors, it can be expected that additional AI-based solutions will be introduced by various market participants in the near future. Observing how these technological advancements reshape the proxy advisory ecosystem and influence the decision-making processes for voting—particularly their implications for Swiss listed companies—will be interesting to watch.

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