Swiss corporate sustainability reporting is live

Are you ready for the 2023 REPORT?

Companies of public interest must publish separate corporate sustainability reports (separate from the annual report) in 2024. The Swiss corporate sustainability reporting requirements cover all controlled Swiss and foreign undertakings and boards should now review first draft reports and implement their assurance concepts.

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European Sustainability Reporting Standards:
efrag.org/lab6#subtitle4

Global Reporting Initiative Standards:
globalreporting.org/how-to-use-the-gri-standards/gri-standards-english-language/

Task Force on Climate-related Financial Disclosure (TCFD):
fsb-tcfd.org/recommendations/

SELF-TEST YOUR CSR READINESS

Boards and top management should:

1. Document the legal analysis of the company's duty to publish corporate sustainability reports.
2. If corporate sustainability reporting is required: Implement effective corporate sustainability reporting governance, processes and resources.
3. Ask for a first draft of the 2023 non-financial and child labor reports as early as possible and take corrective action if need be.
4. Implement the corporate sustainability reporting assurance concept (appoint independent expert to verify to the board the 2023 reporting process and the 2023 draft report).
5. Develop and implement a corporate sustainability reporting risk management strategy.

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Since January 1, 2022, the Swiss non-financial (or "corporate sustainability") reporting obligations have been in force (Art. 964a et seq. Code of Obligations; formerly known as Counter-Proposal to the Corporate Responsibility Initiative). 2022 was the grace period for companies to prepare. Reporting by the board on the company's global effects on non-financial matters (environment, human rights etc.) and the diligence applied in 2023 is due early 2024. **Now is the time for boards and senior management to take stock of progress made.**

Are you in scope?

Reporting is mandatory for large companies (≥ 500 FTEs, > CHF 40m turnover or > CHF 20m balance sheet), who, on a Swiss stock exchange, have issued equity securities or bonds, or who are FINMA regulated and prudentially audited. The thresholds regarding FTEs (full-time equivalents) and financials include all controlled group companies worldwide.

In addition, supply-chain diligence and reporting obligations apply i) to all Swiss companies, including SMEs, in case of a reasonable suspicion regarding child labor or ii) that import or process in Switzerland certain minerals or metals from conflict-affected and high-risk areas.

Boards and senior management should carefully assess and document whether their company is subject to the Swiss corporate sustainability reporting and diligence obligations.

Are you meeting your reporting obligations?

The non-financial report is a stand-alone report, separate from the annual report. The members of the Board of Directors must approve and sign the report. The report must then be approved by the shareholders.

The non-financial report must cover the following matters, worldwide: environmental, including CO2 targets, social, labor, human rights and combatting corruption. It must describe the business model, the policies and the due diligence applied, present the measures to implement the policies and assess their effectiveness, describe the main risks related to the non-financial matters, outline the risk treatment and indicate the key performance indicators/KPIs.

For guidance on what to cover under the five non-financial matters, the draft European Sustainability Reporting Standards or the Global Reporting Initiative Standards can be consulted. For climate-related matters, the Task Force on Climate-related Financial Disclosures' recommendations can be considered.

Accurate and complete reporting requires proper governance, goals and processes, including performance measurement. **Boards should establish effective corporate sustainability reporting governance, including defining the corporate sustainability reporting roles and responsibilities, and provide appropriate resources.**

Assurance

The board shall regularly assure itself through direct enquiries with management that the non-financial reporting obligations are properly addressed. **The draft non-financial and the draft child labor reports shall be reviewed in time by independent external experts for statutory compliance and accuracy.** Reports regarding conflict minerals must be independently audited.

Risk management

Non-, incomplete or false reporting is a basis for civil (damages) liability and constitutes a public criminal offense (fines up to CHF 100,000). The board members are directly at risk. Companies and their **boards should therefore include corporate sustainability reporting risk (reporting on legacy issues and new risks, litigation, reputation/ESG rankings)** in their overall enterprise risk management. In the recent past, ESG claims against BNP and Total in France, Shell in the Netherlands and London, and Holcim in Switzerland encountered global interest.