PRI RESPONSE

SWISS FEDERAL COUNCIL CONSULTATION ON REVISED SUSTAINABILITY REPORTING RULES

17 October 2024

To inform this paper, the following group has been consulted: Swiss Policy Reference Group. Except where stated otherwise, the opinions, recommendations and findings expressed are those of PRI Association alone, and do not necessarily represent the views of the contributors or PRI signatories (individually or as a whole). It should not be inferred that any third party referenced endorses or agrees with the contents hereof. PRI Association is committed to compliance with all applicable laws and does not seek, require or endorse individual or collective decision-making or action that is not in compliance with those laws.

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INTRODUCTION

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the Swiss Federal Council consultation on new sustainability reporting obligations for Swiss companies.

ABOUT THIS CONSULTATION

In January 2023 the EU Corporate Sustainability Reporting Directive (CSRD) entered into force. This directive supersedes the EU's Non-Financial Reporting Directive and imposes additional sustainability reporting requirements across additional sustainability issues, applicable to more companies. The CSRD also requires assurance on the sustainability information that companies report.

In July 2024, the Swiss Federal Council opened a consultation on new sustainability reporting obligations for Swiss companies. The proposed rules are aligned with the CSRD in content and scope of application.

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DETAILED RESPONSE

Meeting investor data needs

The PRI supports the Federal Council of Switzerland's proposal to expand Swiss sustainability reporting regulation, in alignment with the EU Corporate Sustainability Reporting Directive (CSRD). This is essential to provide investors with the accessible, comparable and verifiable sustainability data they need to make investment decisions, and to comply with their legal obligations such as the EU Sustainable Finance Disclosure Regulation (SFDR).

Corporate sustainability reporting is key to investor decision-making, as it shapes their assessment of companies' sustainability risks, opportunities and impacts. Further, investors use sustainability data to inform stewardship activities and comply with their own reporting obligations to regulators, clients and beneficiaries. However, signatories tell us that the lack of decision-useful sustainability data[1] is a substantial barrier to their responsible investment practice. The required data is not always available, easily accessible, reliable, or comparable across companies. Policymakers have a critical role to play in addressing this challenge, by introducing sustainability disclosure requirements.

Ensuring comparable data for investors

Interoperability – allowing preparers to collect data and report in a manner that serves both local and global requirements – is a key concern for investors who allocate capital globally to ensure comparability of data across their portfolios. **As such, we recommend that deviations from the CSRD requirements are avoided.**

This will enable interoperability with sustainability reporting requirements in the EU, and in countries adopting the ISSB standards. The ISSB has confirmed a high degree of alignment between its standards and the European Sustainability Reporting Standards (ESRS) – which specify reporting requirements under the CSRD – within interoperability guidance and a statement with the European Financial Reporting Advisory Group (EFRAG) and the European Commission. Rather than deviating from the ISSB standards, the ESRS builds on these with additional requirements on non-climate ESG issues and sustainability impacts.

Scope of application

Disclosure rules should apply to publicly listed and large private companies, since investors need sustainability information across all portfolio companies. **Therefore, we support the proposed scope of the revised sustainability reporting rules**,[2] which is in line with that of the CSRD.

Despite EFRAG's capacity building to support ESRS implementation,[3] companies may require more support – such as guidance on how ISSB and GRI-aligned reporting can be leveraged. Further, requirements should be phased in by company size, to manage reporting burden on SMEs. Finally, to ensure relevance, reporting should focus on material information as required under the CSRD.

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[1] As set out in the PRI's Investor Data Needs framework, for data to be decision-useful it must be available, of sufficient quality and relevant to either the investment decision-making process (i.e., material) or to investor reporting obligations, or to both.

[2] Companies in Switzerland (in addition to public companies) with 250 employees, CHF 25 million in total assets and CHF 50 million in turnover – if they reach two out of the three thresholds for two consecutive years.

[3] Including its Q&A Platform and implementation guidance for preparers.