Press release

Zurich/Lucerne, 26 February 2024

swissVR Monitor: Swiss companies struggling with sustainability

Swiss companies are clearly moving towards a more sustainable future, but the headwind they are experiencing appears to be stronger than expected. Although more than four out of five board members recognise the growing importance of sustainability issues and believe that their committees have sufficient knowledge in this area, the new swissVR Monitor also reveals that only half of firms have defined sustainability targets and are measuring their achievement. In addition, more than half of the over 400 board members surveyed admit that they have difficulties measuring their companies' own environmental impact. The study uncovers a discrepancy between the increasing importance of sustainability for board members and companies and the practical implementation of sustainability measures. In view of the new reporting and disclosure obligations that entered into force at the start of the year in the areas of environmental, social and corporate governance (see box at the end), this discrepancy has widened even further and the need to act is becoming obvious.

The issue of sustainability is not only gathering pace for board members; it is developing into a key pillar of corporate strategy. This is revealed in the survey, which is conducted every six months by the swissVR association of board members in partnership with the audit and consulting company Deloitte Switzerland and the Lucerne University of Applied Sciences and Arts. Eighty-two per cent of the 409 board members surveyed at the end of last year reported that sustainability had gained in importance over the last three years, with 25 per cent even speaking of a strong increase in significance. The outlook for the coming three years is equally clear: Eighty-four per cent expected that the importance of sustainable development would continue to increase for their company.

The sustainability trend is particularly noticeable in the commerce and consumer goods and construction and real estate sectors. In the commerce and consumer goods industries, 97 per cent of board members reported an increase in the relevance of sustainability issues over the last three years, and 95 per cent expected that the topic's importance would continue to grow. The figure was 89 per cent in construction and real estate. These numbers illustrate how strongly consumption and the construction industry are driven by a growing awareness of sustainability and demand for environmentally friendly solutions.

Importance clearly recognised

Sustainability is also the subject of much discussion in the boardrooms of Swiss companies. The topic was on the agenda for board members at almost all large companies (97 per cent) and three-quarters of small companies (75 per cent) over the last 12 months. The vast majority (85 per cent) of the board members surveyed confirmed that their committee had talked about sustainability issues over the last 12 months, with most discussions taking place within the entire board rather than on specialist committees.

The board members are aware of their responsibility and feel well equipped to tackle sustainability issues. Eighty-two per cent of those surveyed believed that they had the necessary specialist knowledge, while 78 per cent stated that they played an active role in defining the sustainability strategy. In addition, over two-thirds (70 per cent) of those surveyed reported that they had already begun the process of defining key sustainability issues for their company (see Figure 1).

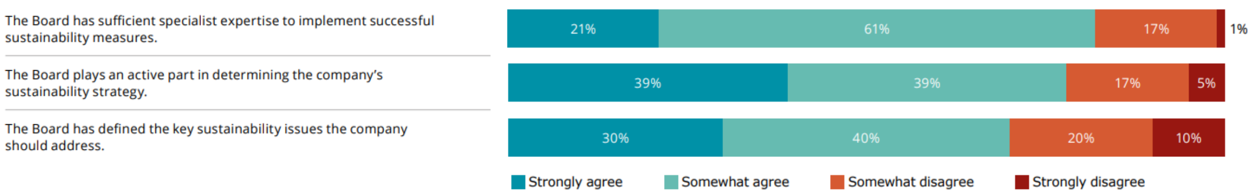

Figure 1: To what extent do the following statements apply to your board of directors?

"The survey results send out a clear message: Sustainability has arrived on the strategic committees of companies, and board members are well equipped to set the course for a sustainable future. The scale and complexity of the ESG regulations are a major challenge for companies, and their implementation internally must also be a matter for the board of directors – not least because further regulatory steps have already been announced," says Mirjam Gruber-Durrer, a lecturer at the Institute of Financial Services Zug (IFZ), part of the Lucerne School of Business.

Difficulties with measurement

The survey also shows that a clear majority (60 per cent) had experienced significant hurdles with regard to measuring their company's environmental impact. Time-limited resources (51 per cent) and the high cost of sustainability measures (38 per cent) were named as further obstacles to the sustainability efforts (see Figure 2).

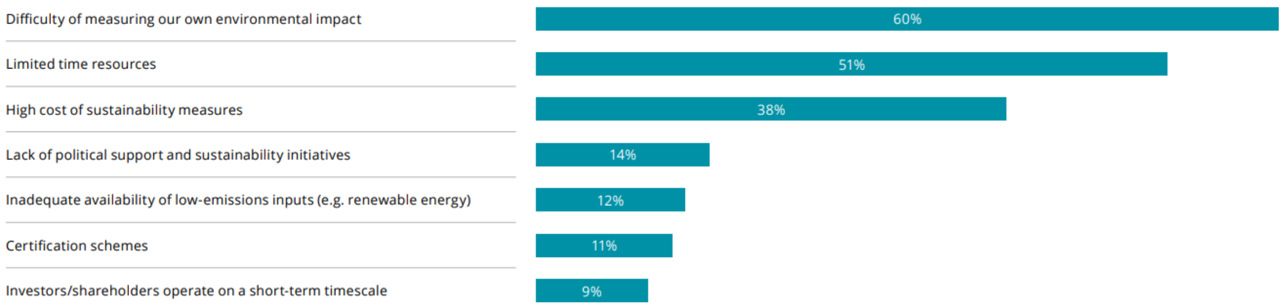

Figure 2: What are the biggest hurdles your company faces in its sustainability efforts?

External pressure

The survey also reveals that the most frequent sustainability issues affecting companies at present are coming from outside and not from within the companies themselves. Fifty-nine per cent of companies cited regulation and 56 per cent changing customer needs in this respect. A somewhat surprising finding was the relatively low significance accorded to shareholders, with only 18 per cent of the board members surveyed naming investors as important drivers of their company's sustainability. At large companies, however, this figure was just over a third (34 per cent).

Despite the generally high relevance of the topic and the significance they attach to the needs of their customers, fewer than half of the companies surveyed (49 per cent) were developing more sustainable products or services of their own. This is surprising, as there are hardly any sectors in which the development of sustainable solutions is not possible or useful for customers or which are not affected by the new ESG reporting and disclosure obligations.

Blind spot in the supply chains?

The most frequently implemented measure at the companies surveyed was not product development but efficiency enhancements in the use of energy (69 per cent). This is likely in large part to be a direct reaction to the much-feared electricity shortages last winter and is a step that also makes sense for cost reasons.

Furthermore, fewer than a third (30 per cent) of those surveyed stated that their companies had implemented measures to ensure compliance with sustainability criteria at suppliers and business partners. Similarly, only 26 per cent of board members said that their company was affected by sustainability risks along the supply chain. Against the backdrop of the due diligence obligations that apply to many companies in the supply chain (see box), these results appear very low, raising the question of whether there is sufficient awareness of the issue of risks in the supply chain. However, particularly exposed companies are more prudent in this regard – supply chain risks were cited as important sustainability issues by more than half of companies in the manufacturing and chemicals (55 per cent) and the commerce and consumer goods (53 per cent) industries.

Lack of sustainability objectives

A further challenge when it comes to implementing sustainability measures at Swiss companies is demonstrated by the fact that only just over half of the boards of directors surveyed (52 per cent) had defined sustainability goals for their company and were measuring the achievement of these objectives. According to their survey responses, fewer than a quarter (23 per cent) had fully completed these tasks and taken all the necessary steps for measuring the degree of target achievement. At large companies, this figure was 37 per cent.

Many boards also appear to be inadequately informed, with only half (50 per cent) receiving regular sustainability reports on their companies. At the larger firms, however, the proportion was 79 per cent (see Figure 3).

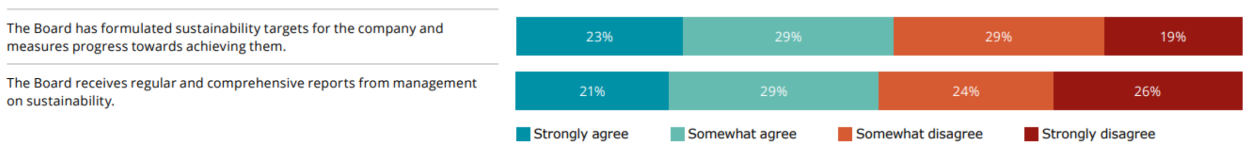

Figure 3: To what extent do the following statements apply to your board of directors?

"The result of the swissVR Monitor clearly show that the boards of directors surveyed must take control and ensure better implementation of the sustainability strategies defined for their companies. One effective approach to this problem could be transferring specific sustainability issues to specialist committees in order to enable more in-depth examination of the issue, prioritisation of the measures to be taken, concentration on the topics relevant to the company, as well as better reporting. This would not only increase transparency but would also strengthen responsibility and improve the effectiveness of sustainability efforts within the companies," believes Cornelia Ritz Bossicard, President of swissVR.

Sense of proportion needed with regard to regulation

"The swissVR Monitor shows a clear discrepancy between the growing legal and societal demands and the practical implementation of sustainability strategies at Swiss companies. It is important that politicians do not now create additional pressure by imposing further disclosure obligations. Instead, they should encourage the implementation of sustainability strategies with targeted incentives," says Reto Savoia, CEO of Deloitte Switzerland.

"Data collection and reporting play an important role in making progress measurable and transparent. However, the most important contribution towards more sustainable development is made by sensible investments as well as innovative products and services. Enhanced capacity for innovation not only benefits companies but also the Swiss economic centre, and it helps to preserve the natural foundations of our livelihoods and production capabilities," says Savoia.

Background of the expanded ESG disclosure and reporting obligations

With the counter-proposal to the Responsible Business Initiative that was rejected in 2020, Switzerland embarked on a path towards more transparent disclosure of ESG data. The 'Ordinance on Climate Disclosures' has applied to companies since 1 January 2024. However, in most cases the statutory requirements of Art. 964a-c of the Swiss Code of Obligations already apply to the 2023 reporting year.

The reporting obligation affects Swiss public companies that meet certain criteria. In two consecutive years, they must have at least 500 employees and at least CHF 20 million in total assets or more than CHF 40 million in turnover. The ordinance requires detailed reporting on climate issues in accordance with the requirements of the TCFD (Task Force on Climate-Related Financial Disclosures).

The key change for Swiss companies is the need for extensive reporting in the areas of governance, strategy, risk management and KPIs. The companies must identify the relevant requirements, define measures and objectives and reflect these in the company processes. They must also prepare information that shows to what extent the company is affected by climate risks and which opportunities will result from the transition to an economy with low reliance on fossil fuels.

Furthermore, the coming years are expected to bring a significant expansion of the disclosure obligations, including on topics such as nature and biodiversity, water and the circular economy. This will have a significant effect on Swiss companies with subsidiaries in the EU.

Contact: Cornelia Ritz Bossicard
Title: President of swissVR
Tel.: +41 41 757 67 11
E-mail: cornelia.ritz@swissvr.ch

Contact: Prof. Dr. Mirjam Gruber-Durrer
Title: Lecturer in Normative Board Management, Lucerne University of Applied Sciences and Arts
Tel.: +41 41 228 41 73
E-mail: Mirjam.durrer@hslu.ch

Contact: Michael Wiget
Head of External Communications
Tel.: +41 58 279 70 50
E-mail: mwiget@deloitte.ch

Contact: Kevin Capellini
External Communications Specialist
Tel.: +41 58 279 59 74
E-mail: kcapellini@deloitte.ch

About the swissVR Monitor

The six-monthly swissVR Monitor survey aims to gauge the assessments of board members on business prospects, strategies and structural issues, plus – in this edition – their views on the focus topic of 'sustainability'. swissVR conducted the 15th survey between 29 November 2023 and 7 January 2024 in partnership with Deloitte and the Lucerne University of Applied Sciences and Arts. The 409 participants sit on the boards of listed companies and small and medium-sized enterprises (SMEs) and represent all relevant industries and sectors.

swissVR

swissVR serves the interests of board members in Switzerland and is committed to helping them improve their expertise and share experiences with other members. As an independent association, swissVR is run by board members for board members. With its services, it helps to professionalise boards of directors, promotes networking between board members from companies in all sectors, and gives its 1,200+ members access to relevant information and tailored training, including in cooperation with training partners. swissVR is aimed exclusively at people who actively serve on boards of directors. www.swissvr.ch

The Lucerne University of Applied Sciences and Arts – representing central Switzerland

The Lucerne University of Applied Sciences and Arts is the university of applied sciences and arts of the six cantons of central Switzerland. It comprises the School of Engineering and Architecture, the School of Business, the School of Computer Science and Information Technology, the School of Social Work, the School of Design, Film and Art, the School of Music, and the focus area of Health. It is the largest educational institution in the heart of Switzerland, with some 8,000 students, 12,000 people in continuing education (of which 5,000 on MAS, DAS and CAS programmes), almost 350 new research projects per year, and 2,070 employees.

Deloitte Switzerland

Deloitte offers integrated services that include Audit & Assurance, Consulting, Financial Advisory, Risk Advisory and Tax & Legal. Our approach combines insight and innovation from multiple disciplines with business and industry knowledge to help our clients excel anywhere in the world. With around 3,000 employees at six locations in Basel, Berne, Geneva, Lausanne, Lugano and Zurich (headquarters), Deloitte serves companies and organisations of all legal forms and sizes in all industry sectors.

Deloitte AG is an affiliate of Deloitte North South Europe (NSE), a member firm of the global network of Deloitte Touche Tohmatsu Limited (DTTL) comprising around 460,000 employees in more than 150 countries.

You can read all press releases and contact the communications team on the Deloitte Switzerland website.

Note to editors

In this press release, Deloitte refers to the affiliates of Deloitte NSE LLP, member firms of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (‘DTTL’). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see www.deloitte.com/ch/about to learn more about our global network of member firms.

Deloitte AG is a subsidiary of Deloitte LLP, the UK member firm of DTTL. Deloitte AG is an audit firm recognised and supervised by the Federal Audit Oversight Authority (FAOA) and the Swiss Financial Market Supervisory Authority (FINMA).

The information in this press release was correct at the time it was released.

© 2024 Deloitte AG