ESG reporting trends
IN SWITZERLAND, THE EU, AND THE WORLD

Last year's surge in mandatory ESG reporting requirements was notable for companies operating in the German-speaking countries (Switzerland, Germany, Austria): consider the EU's adoption of the Directive on Corporate Sustainability Reporting (CSRD) and Switzerland's adoption of the Climate Ordinance. This overview discusses these new reporting requirements and wider trends in ESG reporting.

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Climate disclosures become mainstream

In 2017, the TCFD published recommendations for climate-related financial disclosures. These recommendations, including guidance on how to implement them, are the foundation for climate reporting around the world.

Building on these recommendations, governments have introduced legislation that moves climate-related disclosures from the realm of "nice-to-have" to "must-have". Currently, mandatory reporting mainly applies to large, listed companies; financial institutions; and other public-interest entities. However, the EU's CSRD makes climate reporting mandatory for certain listed small and medium-sized enterprises starting in 2028.

In Switzerland, large, listed companies publish their first comprehensive climate report in 2025, basing it on the TCFD recommendations, and as part of their non-financial report. However, reporting on environmental issues and specifically CO_2 targets (but also social issues, staff issues, respect for human rights, and the fight against corruption) is already expected and the subject of the first mandatory non-financial report in 2024 (964 a ff. Swiss Code of Obligations).

One of the bigger challenges in the Swiss context is that reporting obligations are less prescriptive: companies have options for how they approach reporting. Other jurisdictions take a more prescriptive approach. Notably, the EU is working on the European Sustainability Reporting Standards (ESRS), which so far consist of twelve very prescriptive standards: five related to the "environment", four to "social", issues, one to "governance", and general disclosures and requirements for reporting under the CSRD.

Emerging trends for ESG reporting in 2023

The year 2023 will see many companies prepare their first broader ESG non-financial report, including the beginning of data gathering for their 2025 report on the 2024 fiscal year. Data availability will be a persistent problem for the foreseeable future, especially for Scope 3 emissions. Companies are advised to preemptively consider how they will address gaps in reported data and adapt their governance structure for gathering, validating, and reporting non-financial data.

WHAT'S IMPORTANT TO KNOW ABOUT ESG REPORTING?

- **Keep an eye on the ESRS:** EU and non-EU companies with significant exposure to the EU must report under the CSRD. It is recommended to closely monitor the development of these standards.
- **GRI provides a solid base:** if your company is reporting under the GRI Standards, you are well prepared for the imminent reporting obligations under the CSRD and the Swiss Code of Obligations. Unique specifications under each regulation should be observed.
- **Auditing:** external audit of non-financial reporting is becoming more common.

In addition, the following trends are to be highlighted for 2023:

- **Nature:** fueled by the work of the Taskforce on Nature-related Financial Disclosures, nature-related disclosures will see more attention. The ESRS developers are considering biodiversity-related disclosure, the GRI is updating its standards, and the CDP may expand its coverage of nature-related topics.
- **Just transition:** enabling a just transition that considers the social dimension is seen as important. The GRI will revise its climate-related standards to support a just transition for communities and workers. Also, the ISSB has indicated work on human capital and human rights is a priority.
- **Credible transition:** more attention on transition plans means jurisdictions are requiring them, such as the EU, Switzerland, and the UK. The Science Based Targets initiative newly requires companies to communicate transition targets within 24 months of joining the initiative.
- **Ensuring interoperability:** dissimilar national approaches to ESG reporting raise questions about how to ensure interoperability between reporting standards. Even though many standard-setters and legislators are collaborating closely, differences will likely persist, particularly when it comes to approaching materiality.

Overall, ESG reporting will remain a very dynamic field, and requires reporting companies' continued attention in 2023 and beyond.

Unknown: ISSB to issue guidance on Scope 3 emission disclosures

Unclear: GRI Sector Program provides 40 sector specific standards

Q2 2023

- April: SEC climate disclosure rules expected
- June: ESRS general standards will be adopted
- June: Final version of IFRS ISSB S1 and S2
- Q2: GRI expected to finalize its biodiversity standard

Q3 2023

- September: Final TNFD framework expected

Q4 2023

- Q4: GRI to revise its human rights standards

2024

- January: CSRD transpositions are applicable in EU member states
- January: Swiss Climate Ordinance comes into effect
- January: IFRS ISSB S1 and S2 come into effect
- By end of 2024: Compatibility analysis of Swiss CO and CSRD

Unknown: EFRAG to develop XBRL Taxonomy for machine readable reporting under the ESRS

Unknown: ESRS sectoral standards will be developed

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