ICGN
International Corporate Governance Network
Inspiring good governance & stewardship

Viola Amherd
President
Federal Council of Switzerland
20 CH-3003
Bern

17 October 2024

Dear President Amherd,

Subject: Code of Obligations (transparency about sustainability aspects)

The International Corporate Governance Network (ICGN) appreciates the opportunity to comment on the Federal Council of Switzerland's ("the Council") consultation entitled "Code of Obligations (transparency about sustainability aspects)". Led by investors responsible for assets under management of $77 trillion, ICGN is an authority on global standards of corporate governance and investor stewardship. Headquartered in London, our membership is based in more than 40 countries.

ICGN welcomes the Federal Council of Switzerland's efforts to develop sustainability disclosure requirements aligned with international standards. Investors have been calling for comparable, reliable, and verifiable corporate sustainability disclosures, grounded in financial materiality, to make informed investment and stewardship decisions, and for their own reporting to beneficiaries.

We understand that the Council is planning on giving companies the option to choose between different sustainability reporting standards to fulfil their reporting obligations, with a recommendation for the European Sustainability Reporting Standards (ESRS) or an "equivalent" standard, including the ISSB Standards combined with the Global Reporting Initiative (GRI) Standards.

We would like to highlight that ICGN supports the ISSB's mission to develop a global baseline of sustainability-related corporate disclosures.[1] We believe the adoption of the ISSB standards will contribute to greater transparency on companies' exposure to and management of sustainability risks and opportunities. This is an important step for efficient capital markets and sustainable economies. In May 2024, ICGN, alongside 121 investors, companies, industry associations and stock exchanges signed on to a call for commitment from relevant authorities across jurisdictions to adopt the ISSB standards.[2]

So far, jurisdictions representing over half the global economy by GDP announced steps to adopt or use the ISSB Standards.[3] As more jurisdictions adopt the ISSB Standards, Swiss companies with global operations are increasingly likely to be subject to ISSB-based reporting regimes in other markets.

To ensure comparability of information for investors and other stakeholders, we believe it would be preferrable for the Code of Obligations to refer only to the ESRS or the

[1] ICGN Letter "Inaugural global sustainability disclosure standards, International Sustainability Standards Board (ISSB)" (26 June 2023)
[2] PRI, London Stock Exchange Group, UN Sustainable Stock Exchanges initiative, World Business Council for Sustainable Development, "Call to Action: ISSB Global Adoption" (22 May 2024)
[3] IFRS Foundation, "Jurisdictions representing over half the global economy by GDP take steps towards ISSB Standards" (28 May 2024)

combination of ISSB and GRI standards, rather than referring to other 'equivalent' standards – which can be confusing.

Investors need to be able to make meaningful comparisons across companies, markets, sectors, and time periods, and have therefore welcomed the efforts towards the consolidation of standards. The ISSB standards build on the pre-existing Taskforce on Climate-related Financial Disclosures (TCFD), Climate Disclosure Standards Board (CDSB), Sustainability Accounting Standards Board (SASB) and Integrated Reporting. Furthermore, the ISSB and the European Financial Reporting Advisory Group (EFRAG) have worked closely to achieve high alignment between the ISSB Standards and the ESRS, particularly in relation to climate-related disclosures.[4] The two sets of standards are also interoperable with regards to materiality, presentation and disclosures for sustainability topics other than climate.[5] In addition, the ISSB and GRI signed a Memorandum of Understanding (MoU) to further the connection between their respective standards for a global and comprehensive sustainability reporting system.[6] In parallel, EFRAG also has an MoU with GRI to ensure interoperability. We believe that offering the possibility for companies to use other standards could risk fragmenting the reporting landscape and reduce the usefulness of sustainability disclosures.

Finally, we support the Council's proposal to replace the "comply or explain" approach with a mandatory requirement, at least regarding the reporting of financially material information.

Thank you again for the opportunity to share our perspective. We would be delighted to discuss this further you, should you be interested in a meeting.

Yours faithfully,

Jen Sisson

Jen Sisson
Chief Executive Officer, ICGN

[4] EFRAG, "Interoperability" (n.d)
[5] IFRS Foundation and EFRAG, "ESRS-ISSB Standards Interoperability Guidance" (May 2024)
[6] GRI, "GRI and IFRS Foundation collaboration to deliver full interoperability that enables seamless sustainability reporting "(24 May 2024)