

Whitepaper

Climate Reporting Blueprint

Version 1

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Reporting Forum

Language

English

EXECUTIVE SUMMARY

Climate Reporting is a foundational element addressing the urgent need to combat and adapt to climate change and transition to a low-carbon economy. It enables stakeholders, including investors, regulators, and the public, to assess an organisation's climate-related performance and efforts to mitigate environmental impacts.

During its meeting on November 23rd 2022, the Swiss Federal Council adopted the implementing ordinance (the "ordinance") on climate disclosures for large Swiss companies bringing it into force as of 2024.

The ordinance regulates companies' reporting on climate issues as part of the environmental matters to be reported on under Articles 964b – 964c of the Swiss Code of Obligations (CO) on transparency on non-financial matters. It specifies how companies can comply with the corresponding reporting obligation. It does so by stating that compliance is presumed if the reporting is based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

While general Sustainability Reporting provides a comprehensive overview of a company's sustainability strategy and performance, Climate Reporting narrows it to climate-related governance, strategy, risk management, metrics, and actions.

Climate Reporting is complex, and the efforts for initial reporting are substantial even if companies have experience with Sustainability Reporting. Furthermore, companies affected by the ordinance have a relatively short adaptation period to publish their first reports by the end of 2024.

For this purpose, Pelt8 and CelsiusPro convened a collaborative roundtable in April 2023 involving 15 organisations from the private and public sectors to develop the Whitepaper to discuss the challenges and best practices of Climate Reporting. This Whitepaper provides a guide for companies to start navigating Climate Reporting and general Sustainability Reporting challenges by highlighting best practices and opportunities.

In addition, Pelt8 and Celsius Pro launched the Swiss Climate Reporting Forum. The primary purpose of the first event is to provide a knowledge platform for companies affected by the ordinance on mandatory climate disclosures for large companies

adopted by the Swiss Federal Council in November 2022 but further hopes to popularise Sustainability and Climate Reporting.

Both the Whitepaper and Swiss Climate Reporting Forum are aimed at companies from all sectors facing Sustainability and Climate Reporting challenges, with a particular emphasis on firms that must comply with the Swiss ordinance on Climate Disclosures.

Climate Reporting Challenges

REPORTING | DATA | PEOPLE | RESSOURCES

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FOREWORD BY THE UN GLOBAL COMPACT NETWORK

As one of the most pressing issues of our time, the adverse impacts of climate change are becoming increasingly apparent. The growing frequency of extreme weather events, rising sea levels, and changing ecosystems highlight the urgent need for action. The private sector has a critical role to play in addressing this global challenge and contributing to the transition to a net-zero, resilient future.

The latest report from the Intergovernmental Panel on Climate Change (IPCC) underscores this pressing need for decisive action to limit global warming to 1.5°C above pre-industrial levels. This requires a transformation of our economy and society at an unprecedented scale and pace. Accurate and transparent Climate Reporting by companies is a crucial component of this transformation, enabling informed decision-making and accountability for climate action.

It is in this context that the UN Global Compact Network Switzerland & Liechtenstein welcomes the release of this Whitepaper on Climate Reporting, which supports companies in reporting their climate impact, risks, and opportunities. By outlining common challenges and suggesting actions, as well as highlighting opportunities, this Whitepaper will assist companies in contributing to the efforts to address climate change. The Whitepaper is also timely, as it comes at a moment when many companies are recognizing the importance of Climate Reporting and are seeking guidance on how to do it effectively.

Companies that report on their climate impact and take action to reduce their greenhouse gas emissions will be better positioned to succeed in the transition to a low-carbon economy. They will also be better equipped to manage climate-related risks and to identify new business opportunities as the world shifts to a more sustainable future.

We encourage the private sector to take action on climate change and to report on their progress in a transparent and credible manner. We hope that this Whitepaper will be a valuable resource for companies as they navigate the complex landscape of Climate Reporting, and we look forward to seeing the positive impact that it will have in Switzerland and beyond.



Antonio Hautle

Executive Director UN Global Compact Networks Switzerland & Liechtenstein

INTRODUCTION TO THE SWISS ORDINANCE

During its meeting on 23 November 2022, the Federal Council adopted the implementing ordinance on climate disclosures for large Swiss companies and brought it into force as of 1 January 2024. It regulates the reporting by companies on climate issues as part of the environmental matters to be reported on under Articles 964a – 964c CO on transparency on non-financial matters.

Who is obliged to report on climate matters?

According to Article 964a para. 1 CO, companies are obliged to report on non-financial matters which, according to Article 964b para. 1 CO, include environmental matters, in particular the CO₂ goals, and thus climate matters:

- if they are companies of public interest (as defined in Article 2 letter c of the Federal Act on the Licensing and Oversight of Auditors);
- if, together with the Swiss or foreign companies they control, they have at least 500 full-time equivalent positions on an annual average in two successive financial years; and
- if, together with the Swiss or foreign companies they control, they exceed at least one of the following amounts in two successive financial years: a balance sheet total of CHF 20 million or sales revenues of CHF 40 million.

The obligation does not apply to companies that are controlled by another company to which Article 964a para. 1 CO applies, or that must prepare an equivalent report under foreign law (Article 964a para. 2 CO).

The ordinance itself does not establish the responsibility to report but rather only states that compliance with the obligation to report on climate issues under Articles 964a – 964c CO is presumed if the disclosure is made in accordance with the recommendations of the TCFD as outlined in Article 3 of the ordinance (Article 2 para. 1 of the ordinance).

What are the obligations under the ordinance?

The ordinance is a so-called implementing (or enforcement ordinance) and not a so-called legislative ordinance and, thus, only specifies the obligations already

contained in the CO. Accordingly, the purpose of the ordinance mainly consists of outlining how companies can fulfil the transparency obligations on climate matters under Articles 964a – 964c CO.

The ordinance does so by declaring that a disclosure made in accordance with the recommendations of the TCFD as outlined in Article 3 of the ordinance presumably meets the reporting obligations. Alternatively, the ordinance states in Article 2 para. 2 that a company that does not make disclosures on climate issues in accordance Article 3 of the ordinance must either (i) demonstrate that it complies in other ways with the disclosure obligation or – in accordance with the principle of comply or explain – (ii) declare that it does not follow any climate concept and justify this decision.

Furthermore, the ordinance specifies in Article 4 para. 2 the obligation contained in Article 964c para. 2 number 1 CO to publish the report on non-financial matters electronically by stating that the electronic publication shall be in the least one human-readable and one machine-readable electronic format in international use.

From when must climate matters be reported on?

According to the transitional provision in the CO, companies must report on non-financial matters, including climate issues, for the first time for the financial year that begins one year after the entering into force of Articles 964a – 964c CO. That means the financial year commencing one year after January 1 2022. and as a result, the first reports will have to be published in 2024.

The ordinance does not change this temporal scope of the obligation to report on non-financial matters. It only states in Article 5 that the obligation to publish the report in the format as defined in Article 4 para. 2 of the ordinance shall be met within one year after the entering into force of the ordinance on January 1 2024.

Swiss listed companies must publish the first Climate Report, meeting the criteria of the code of obligations and as specified by the ordinance in 2024.

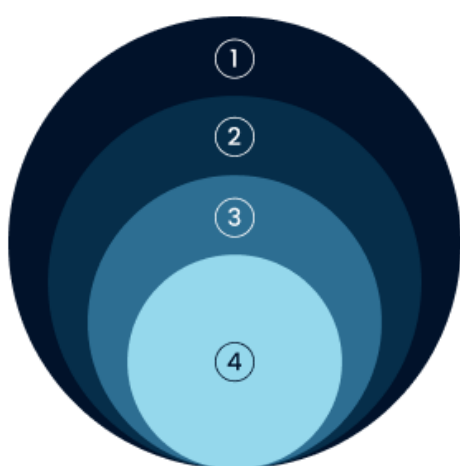
TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

In 2015, the Financial Stability Board established a global industry-led task force whose goal is to support the identification of the critical information needed by investors, lenders and insurance to assess correctly and price climate-related risks and opportunities and to disclose them efficiently.

The Task Force on Climate-related Financial Disclosures (TCFD) categorises climate-related risks into two distinct types: physical risk and transition risk. The TCFD recommends that firms disclose the risks and opportunities they could face within each category.

TCFD recommends using scenarios¹ to assess climate-related challenges and their potential financial implications. Incorporating scenarios enhances the robustness and credibility of Climate Reporting. It enables companies to assess potential future scenarios, understand the implications for their business operations and stakeholders, and take proactive measures to align their strategies with a sustainable and resilient future.

Core Elements of Recommended Climate-Related Financial Disclosures



1. Governance

The organization's governance around climate-related risks and opportunities

2. Strategy

The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning

3. Risk Management

The processes used by the organization to identify, assess, and manage climate-related risks

4. Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

¹ Two frameworks providing valuable guidance are the Intergovernmental Panel on Climate Change (IPCC) and the Network of Central Banks and Supervisors for Greening the Financial System (NGFS).

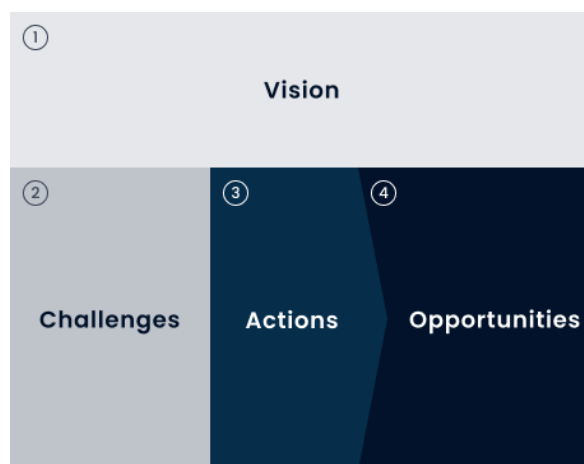
The recommended climate-related financial disclosures are organised into four core chapters. Each firm is free to organise its TCFD report as it sees fit, keeping in mind the main recommendations – climate-related risk and opportunity types (physical & transitional) and scenario analysis.

The TCFD emphasises that governance processes for climate-related disclosures should align with those used for current public financial disclosures, including review by the Chief Financial Officer and audit committee.

Additionally, the TCFD releases an annual "Status Report" that consolidates feedback received throughout the year. This report summarises the feedback, incorporates any necessary additions or revisions to recommendations, and considers specific sector-related aspects.

CLIMATE REPORTING CANVAS

The foundation of this Whitepaper is a four-field canvas: The Climate Reporting Canvas. The Climate Reporting Canvas guides companies in drafting a sustainability and climate strategy as it starts with a broader vision, outlines challenges for achieving the vision, and suggests not only actions to address the challenges but also opportunities that arise in the process.



Vision: A company needs a vision beyond writing a Climate Report – a "why" it wants to become more sustainable and climate-resilient. A well-articulated and thoroughly integrated vision helps a company's leadership to anchor and communicate its long-term strategy, can raise employee engagement and signals to stakeholders the sincerity of any commitment.

Challenges: A company will encounter challenges and obstacles while moving towards its vision. Some of the challenges are more pronounced depending on the stage of the company; other challenges are universal.

Actions: Companies must define steps to achieve the vision and address the challenges. If no direct compliance pressure exists, a simple rule-of-thumb prioritises low-hanging fruit by considering activities with the most significant leverage or impact, propelling the company towards its vision.

Opportunities: Companies can initiate change much faster if the benefits of more sustainable business practices are concretely linked to the activities rather than focusing on the costs. Ensuring the actions are seen as an investment into the company's longevity addresses doubts or hesitations towards sustainability and Climate Reporting that many companies face for the first time.

CLIMATE REPORTING CANVAS – VISION

Having a shared vision for a strategy, particularly in the context of Climate Reporting, is of utmost importance. It ensures that all stakeholders, including the organisation's leadership, employees, investors, and other relevant parties, are aligned, and working towards a shared understanding and commitment to addressing climate-related challenges. The participants of this Whitepaper were asked to share their Climate Reporting vision. The summary of this is as follows:

A vision for climate reporting



Goal-oriented: Climate Reporting should be goal-oriented, provide a clear framework for organisations to measure their progress, drive meaningful action, and ensure accountability in addressing climate-related risks and opportunities.

Transparent: Climate Reporting needs to be comprehensive and transparent and disclose all the company's climate-related risks, starting with the material ones.

Accurate: Data on which Climate Reporting relies must be valid, detailed, robust and traceable, allowing for independent verification.

Comparable: Climate Reporting needs to follow standards that allow effortless comparison between reports to foster a global understanding of climate risks.

Accountable: Companies and their leadership should be accountable for the climate targets they set and communicate.

Actionable: Climate Reporting should support the implementation of a credible and orderly global path to <1.5°C. It should demonstrate net-positive impacts and be common grounds to derive actions and be decision-useful.

In summary, a vision for climate strategy, specifically in the context of Climate Reporting, is crucial for setting clear goals, fostering transparency, creating accountability, ensuring comparability, and driving action, by ensuring that organisations effectively address climate-related challenges and opportunities.

CLIMATE REPORTING CANVAS – CHALLENGES, ACTIONS AND OPPORTUNITIES

Although companies face multiple challenges throughout their Climate Reporting journey, these hurdles must never discourage them from initiating their Climate Reporting efforts. This Whitepaper condenses the challenges into four key topics: reporting, data, people, and resources. Each topic is organised by summarising a list of challenges, followed by suggested actions and the opportunities associated with those actions. The objective is to shift the perception of Climate Reporting initiatives from being perceived solely as costs to recognising them as investments with numerous benefits.

Reporting

Although evolving regulation, diverse standards, and complexity are challenging, companies must act today by starting with simple, decision-useful reporting, even if the data is not yet fully available.

1. Reporting Challenges

Next to general Climate Reporting challenges, this chapter also looks at the implications of the Swiss ordinance on Climate Reporting.

Evolving regulation: Because regulatory bodies across the globe are racing to establish reporting standards while harmonising them, reporting companies are (currently) facing a rather dynamic set of requirements when it comes to reporting. That also means there are no (yet) universally accepted reporting standards. As a result, companies may struggle to determine which sustainability and climate metrics to report, how to report them, and how to ensure the accuracy and reliability of the reported information.

Regional reporting differences: Different countries, regions, or industries might have local reporting standards, which can lead to confusion and inconsistencies in reporting for organisations operating across multiple regions.

Swiss reporting standard choice: Swiss listed companies are in the unusually comfortable position that they may choose which reporting standard to comply with. They may choose between IFRS, US GAAP and Swiss GAAP FER for financial reporting. For Climate Reporting per the Swiss ordinance on climate reporting, the

optionality is less explicit if the reports are produced to comply with the TCFD framework and the Federal regulation.

Reporting in a machine-readable format: Given that Art. 4 of the ordinance requires both a human and machine-readable version of the report from January 2024, this means in practice that the choice available to companies at this point is limited to TCFD-compatible standards and frameworks that have committed to making an XBRL taxonomy of the standard concepts general. At this juncture (Spring 2023) are the ISSB's standards, IFRS S1 and S2, and the European Sustainability Reporting Standards (ESRS). Both standard setters are expected to make their respective standards and taxonomies available in 2023.

Scope of double materiality: While the ISSB's standards, with their single materiality approach, are geared towards investors, ESRSs encompass a double materiality standard with a significantly broader scope than ISSB's standards. Given the ordinance's requirement of TCFD compatibility with double materiality, the choice of the standard appears to have been whittled down to one on the face of it, namely ESRSs. This is particularly true for Swiss firms with EU-based subsidiaries, which will come under the CSRD mandate in compliance with ESRSs in 2029 anyway.

"The Reporting Telephone Game": As reporting involves various disciplines and divisions, multiple parties are responsible for overseeing the final output, which can lead to a lack of transparency or inaccurate reporting due to differing agendas among the parties involved.

2. Reporting Actions & Opportunities

Reporting requirements and their implementation lay the foundation for successful Climate Reporting. Although there are many acronyms in the world of sustainability frameworks, regulatory bodies are working hard on harmonisation, starting with the question of what is material to a company's long-term success.

Make reporting decision relevant: Companies should shift from using Sustainability and Climate Reporting as a pure marketing tool to making it a valuable resource for decision-making.

Opportunity: Climate reporting has the potential for enhanced strategic planning and informed decision-making processes; by integrating Climate Reporting into decision-making frameworks, companies can gain valuable insights and data-driven perspectives that can guide their actions and strategies.

Follow established reporting frameworks and standards: Companies should use internationally recognised and recommended reporting frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD), or the Global Reporting Initiative (GRI). Additionally, companies will ensure they stick to proven reporting approaches that are more likely to be accepted regionally and globally.

Opportunity: Following well-accepted approaches is necessary to ensure the quality and reliability of Climate Reporting and make it easier for stakeholders to understand and use the information presented.

Simplify reporting language and use correct terminology: Companies should use standard reporting language associated with the respective standards and framework and limit technical jargon to ensure a wider audience easily understands the reports.

Opportunity: Simplifying the language used in Climate Reporting can make it easier for stakeholders to understand the presented information, increasing the likelihood that they will engage with it.

Join associations & expert networks: Companies should stay updated on changing regulations and requirements. A cost-efficient way could be to join relevant corporate associations and networks. Examples include the [Center for Corporate Reporting](#), [Swiss Sustainable Finance](#), [XBRL Switzerland](#) or similar.

Opportunity: Joining associations and expert networks can provide companies with access to knowledge and expertise on sustainability topics and opportunities to collaborate and share best practices with peers. The decision can help companies stay current on emerging sustainability trends and issues and identify opportunities to improve performance.

Choose TCFD Reporting: Swiss companies can adopt multiple reporting standards to comply with local and international requirements, but the one that is clearly asked for is TCFD.

Opportunity: By implementing a TCFD reporting per the ordinance with the ordinance on mandatory climate disclosures, the company might choose a cost-effective approach and focus on what is necessary.

Develop XBRL competencies: Companies should invest in a basic understanding of what it means to report in XBRL, as this will be fundamental moving forward.

Opportunity: Since this will be a must in the future, a company has little choice but to work on digital format; however, it can streamline their Climate Reporting process and improve the accuracy and comparability of their

sustainability data and, in the future, be the basis for more accurate benchmarking of competitors.

Assess double materiality: Companies need to start incorporating a double materiality analysis into their Climate Reporting by considering both the impact of their operations on sustainability issues and the impact of sustainability issues on their business.

Opportunity: Not only is this the starting point for a holistic sustainability strategy for corporations, but the approach can also assist companies in identifying and prioritising sustainability issues that are most significant to their business and stakeholders.

Data

The scarcity of clean data has emerged as a prominent challenge in Climate Reporting, but it should not prevent a company from starting with its Climate Reporting. It is not surprising that this chapter brought together the most extensive material. We recommend companies must take action and enhance their Climate Reporting by investing in digital technologies, establishing clear data collection processes, and collaborating with stakeholders.

1. Data Challenges

Collecting and managing sustainability data poses significant challenges for companies. The required data is often not readily available because of inadequate digital infrastructure, and as a result, the data quality is rarely sufficient to pass an external validation.

Lack of data and data fragmentation: Unavailable or scattered data pose significant challenges in Climate Reporting, as necessary data may not be tracked or readily available in a central system, making it difficult to obtain, especially for scope 3 emissions. Gathering the required data from various sources and coordinating with different departments and stakeholders can be time-consuming and resource intensive.

Low data quality and persistent data inaccuracy: There needs to be more consistency regarding data tracking across various sources. This inconsistency can be attributed to several factors, such as the absence of data quality controls and, in general, the existence of weak data governance practices. This makes it

challenging to maintain a high standard of data quality, and there is a risk of errors and inconsistencies creeping into the data collection process. Furthermore, although applying expert knowledge and adopting data proxies in the form of estimated values is encouraged at the initial stages of Climate Reporting to fill the gaps in data collection, it can further exacerbate the data quality issues if not replaced in the mid-to-long term.

Missing data traceability: As data is collected and aggregated across an organisation, it is subject to passing through various teams, data platforms and repositories and undergoes required transformations. For audit and reporting purposes, solid data lineage is in place to guarantee transparency in the end-to-end tracking of data sources and appropriate visibility over any modification that is applied to the source data before it makes its way into external disclosures.

Insufficient data documentation: The entire data collection process should be documented, including assumptions, calculations, and modifications to the data. Accurate documentation takes not only time but also expertise and knowledge.

Growing demands due to mandatory external data validation: The collected data and its documentation will be subject to an external validation as part of the soon mandatory Sustainability Reporting audit. As a result, there is increasing pressure to present a well-orchestrated complete picture which should guarantee the highest standards of accuracy.

Increasing data requests: Another significant challenge facing companies is the increasing demand for data disclosures related to Scope 3 emissions. As more organisations recognise the importance of measuring and reducing their carbon footprint, they seek more extensive and detailed data from their suppliers, customers, and partners. This trend has increased the number of questionnaires sent across companies in their respective value chains. This growing demand for data disclosure can strain the resources of reporting companies, leading to difficulties in managing the workload effectively. Moreover, the need for standardisation in data request formats and data quality requirements can create further challenges for companies.

Requests for revealing sensitive data: As companies are asked to report data, they also face the challenge of how much and what kind of data they can disclose without revealing information that should not be disclosed without it causing a disadvantage from, for example, revealing highly sensitive competitive information.

Increasing complexity with a move from historic to forward-looking data: With the implementation of the regulatory requirements as outlined in the Swiss ordinance on Climate Reporting ordinance on mandatory climate disclosures for large companies and per TCFD, companies will also have to start working with forward-looking data, for example concerning the disclosure of exposures to transition risks or to evolving physical risk conditions. Handling such data comes with more complexities than simpler, backwards-looking historical data.

Inadequate data management tools: Many organisations approached sustainability data management and reporting with basic tools such as Excel or similar technologies, posing a significant risk of errors and other consequences.

DeepDive – Consequences of using Excel and other simple data management tools for sustainability reporting

As data required for Climate Reporting often involves complex and diverse datasets with multiple variables, manual maintenance of Excel can lead to errors in data input, processing, and analysis. These errors can undermine the accuracy and reliability of sustainability reports, potentially leading to reputational damage for companies (e.g. “unintentional” greenwashing resulting from inaccurate disclosures).

Another typical challenge of using inadequate technologies is managing, maintaining, and analysing large datasets. As the volume and complexity of sustainability data increase, it becomes challenging to process and analyse data efficiently. Lengthy processing times and errors are often a consequence, which makes it challenging to generate timely and accurate reports.

Moreover, using tools like Excel to manage sustainability data can create a lack of transparency and accountability. With multiple users accessing and updating worksheets, it becomes challenging – if not impossible – to track changes, implement appropriate controls, monitor data quality, and ensure consistency.

2. Data Actions & Opportunities

New sustainability and climate regulations allow companies to enhance transparency, bolster their reputation, and attract investors by showcasing their dedication to sustainability. Effective data management enables companies to identify areas for improvement, demonstrate sustainability performance to stakeholders, achieve cost savings, and drive innovation.

Invest in digital data collection and management technologies: Companies should adopt digital solutions to automate and streamline collecting, managing, and analysing sustainability data.

Opportunity: Improve the accuracy and efficiency of data collection, reducing the potential for errors and saving time and resources. Digital technologies can automate data collection from various sources, including suppliers, customers, and stakeholders, which can help companies obtain more comprehensive and reliable data for Sustainability Reporting. Furthermore, it helps companies manage and analyse large volumes of sustainability data, enabling them to identify trends and patterns, gain valuable insights into their sustainability performance, and track their progress.

Implement a clear data collection process: Companies should implement transparent data collection processes, which involve establishing a systematic and consistent approach to collecting, managing, and reporting sustainability data. The process should be designed to ensure that the data collected is accurate, complete, and reliable. Being able to achieve 100% data coverage even to the most distant corners of the supply chain is unlikely. Companies can prioritise data collection efforts in the spots where impacts are higher or more important.

Opportunity: With more solid data collection practices and effective controls in place, resulting in improved data quality, comes the chance to reduce internal and external audit efforts and costs and overall exposure to risks of greenwashing allegations.

Collaborate with stakeholders: Collaborating with suppliers, customers, and other stakeholders to improve data collection is an excellent way for companies to demonstrate their commitment to sustainability and manage their risks better. However, companies must be transparent about the data they are willing to share. If companies fear sharing sensitive, they can provide aggregated data or redirect stakeholders to publicly available data in the form of common reporting standards

that were already published. This approach can help companies balance data privacy concerns and the need to guarantee transparency in Climate Reporting.

Opportunity: Collaborating with stakeholders on Climate Reporting can help build trust and establish a shared sense of purpose, leading to increased stakeholder engagement and support.

Hire specialised personnel: Especially larger companies should hire personnel with technical data science skills and expertise to implement a generally more data-centric strategy.

Opportunity: By leveraging advanced data analytics and modelling techniques, companies can not only go beyond a yearly Climate Reporting exercise and gain deeper insights into their sustainability performance, identify areas for improvement, and ultimately steer the way they conduct business towards achievement of sustainability targets they set themselves once-a-year Climate Reporting. Finally, developing the necessary skills to comprehend the implications of forward-looking analytics and scenario analysis regarding climate change is crucial for enhancing a company's resilience.

People

There is an increasing demand for skills and people with experience in Sustainability and Climate Reporting. As a relatively young but rather complex field that received little attention in the past, the market still needs to develop the talent and skill pool required for a Sustainability Reporting transition at scale.

1. People Challenges

Despite the increasing regulatory pressure, many companies still face the challenge of having sufficient top-down support to make Sustainability and Climate Reporting a core strategic process.

Lack of management support: Management often misses the opportunities to support Climate Reporting because of its complexity and a lack of understanding. Management might need to fully grasp the complexity of sustainability issues or the potential impact that reporting can have on the company's reputation and stakeholder relationships. As a result, Climate Reporting can be seen as an additional burden or expense; some managers may need to know the value of dedicating resources to it.

Lack of accountability and targets: Managers often need more accountability, incentives, and targets to prioritise Climate Reporting, leading to a lack of action.

Lack of skills and experience: Climate Reporting is a relatively new field, and many professionals have yet to have the opportunity to gain formal training or education in this area. The skill gap is fuelled by a shortage of specialists in Switzerland and the global war for talent.

Need for compliance AND climate knowledge: As compliance regulations for Climate Reporting become increasingly rigorous, there is a growing need for a shift in skill sets from a basic understanding of sustainability to a more comprehensive knowledge of compliance requirements. This trend is driving the intersection of the roles of Chief Financial Officer and Chief Sustainability Officer.

Complexity from multidisciplinary topic: The complexity of climate issues requires an interdisciplinary approach, which can be challenging for professionals specialising in a specific area.

Involvement of diverse stakeholders: Climate Reporting often requires collaboration across multiple departments and stakeholders, and this can be challenging due to communication barriers and conflicting priorities.

2. People Actions & Opportunities

One of the most significant opportunities for companies in Climate Reporting lies in harnessing the right people and skills, as lasting change can only be achieved through the expertise and dedication of the general workforce and its leadership.

Foster a strong climate leadership: To foster a strong climate leadership, companies should prioritise educating and training their management team on the significance of Climate Reporting and its profound impact on the business. Additionally, company boards should enhance communication with executives and the management team to ensure a clear understanding of Climate Reporting, emphasising its benefits and the risks associated with neglecting such reporting. Ultimately, the operationalisation of strong climate leadership is lived through implementing the proper process and policies.

Opportunity: By educating and training management teams on the importance of Climate Reporting, companies can increase awareness and understanding of the benefits and risks associated with Climate Reporting. This can create a Climate Reporting culture and ensure management understands the value of sustainability and climate initiatives. Clarity of

objectives and goals helps management to decide which data to be collected and report and how this information can be used to drive business performance.

Set clear targets and KPIs: Companies should consider incentivising management to prioritise Climate Reporting by linking it to performance goals, which can increase accountability and create a culture of Climate Reporting.

Opportunity: Formalising targets and key performance indicators (KPIs) for management positions fosters accountability and provides incentives. Establishing appropriate sustainability and reporting targets is essential to enhance accountability while emphasising the importance of long-term goals rather than solely focusing on annual targets and ensuring that sustainability is integrated into the overall business strategy.

Invest in employee training and development: Companies should invest in training and development programs to bridge the skill gap in sustainability and climate topics. Although external support through consultancies might be initially necessary, it will only be possible to manage and implement a successful climate strategy with the proper skills and knowledge in the company.

Opportunity: Investing in employee training and development can benefit companies by improving employee skills, engagement, and retention, enhancing sustainability performance, and building internal capacity for climate initiatives. It also helps companies stay current with trends and comply with regulations while signalling a commitment to sustainability and improvement to stakeholders.

Build cross-functional teams: Companies should form cross-functional teams that bring together experts from different departments and disciplines to collaborate on climate initiatives.

Opportunity: Cross-functional teams can help ensure that climate-related topics are integrated into all aspects of the business and can foster a culture of collaboration and teamwork, improving overall organisational performance and productivity.

Engage with stakeholders: Companies should engage with their stakeholders, such as customers, suppliers, and NGOs, as engaging with stakeholders as part of mandatory scope 3 reporting brings numerous positive outcomes for companies.

Opportunity: Stakeholder engagement offers a valuable opportunity to gain insights into stakeholder expectations and concerns, enabling the development of more targeted and effective sustainability initiatives. This

stakeholder engagement fosters trust and establishes a shared sense of purpose, increasing stakeholder buy-in and support for sustainability endeavours. Moreover, it improves resiliency, quality control, and regulation compliance. Demonstrating a commitment to sustainability through stakeholder engagement enhances the company's reputation and brand value. Lastly, this process opens new business opportunities by identifying market needs and developing sustainable products or services that align with stakeholder demands.

Involve finance: Companies should involve the finance department (CFO) in Climate Reporting for audit and assurance reasons, as finance professionals possess the necessary skills and knowledge to verify the accuracy and reliability of financial information in the climate report. Furthermore, financial data is frequently used as a basis for climate metrics, and finance professionals can ensure that these metrics are calculated correctly and in compliance with relevant accounting standards.

Opportunities: Identity, manage & mitigate sustainability-related risks and opportunities which can significantly impact financial performance and reduce audit costs.

Resources

Despite facing challenges such as missing budget allocation, underequipped sustainability teams and lack of stakeholder involvement, companies can act by investing in digitalisation, knowledge-building and team capacity to communicate a clear business case for Climate Reporting facilitating Climate Reporting.

1. Resource Challenges

The Whitepaper already covered the challenges of needing more data management and people skills, respectively, knowledge. This section will look at more general resources. However, in many cases, the reader finds repeating elements from the three previous topics, highlighting the need for sufficient investment of resources in the topic.

Missing budget allocation: Lack of financial resources can hinder Climate Reporting by limiting investments in data collection, software tools, and staff training.

Underequipped sustainability team: Many companies embarking on their Climate Reporting journey often assigns the responsibility to employees who already have a lot on their plate or designate only a part-time role to the topic.

Missing digitalisation: As covered extensively under Data, technological resources, such as data management systems, software tools, and data analysis tools, are necessary for efficiently collecting, processing, and reporting climate data.

Missing knowledge: The extent of this challenge was already outlined under Available skills & knowledge, but human resources such as qualified personnel with the necessary skills and expertise are essential for the successful implementation of Climate Reporting.

Lack of stakeholder involvement: As information needs to be exchanged between different organisations, there needs to be a degree of willingness to share data and support one another. Lack of collaboration only hinders successful Climate Reporting.

Missing integration: Integrating sustainability indicators in existing, well-established reporting streams can reduce additional resources needed and emphasise the importance of sustainability. Parallel reporting is not efficient and comes with a risk of misaligned reporting.

2. Resource Actions and Opportunities

Companies will inevitably have to spend resources on Climate Reporting, but rather than seeing them as a pure expense, viewing them as an investment is much more constructive.

Calculate a clear business case for sustainability: Companies should create a business case calculation, including a cost-benefit analysis of sustainability and climate initiatives to demonstrate the potential return on investment and persuade decision-makers to allocate a sufficient budget.

Opportunities: Firstly, it can help to identify the most impactful and cost-effective climate initiatives, allowing companies to prioritise their sustainability efforts and allocate resources more effectively. Secondly, it can improve transparency and credibility in Climate Reporting by providing a quantitative assessment of sustainability initiatives' environmental and social benefits alongside the financial costs.

Invest in the team's capacity: Companies should invest in training and development programs to build the team's ability and hire additional staff with relevant expertise.

Opportunities: Firstly, it can lead to a more knowledgeable and skilled sustainability team, better equipped to tackle sustainability challenges and identify opportunities for improvement. Secondly, it can improve employee engagement and retention by demonstrating a commitment to employee development and sustainability. Thirdly, it can enhance transparency and credibility in Climate Reporting by ensuring that the team responsible for it has the necessary skills and expertise to report on sustainability performance accurately.

Create training and knowledge-sharing sessions: Companies should invest in regular exercise, and knowledge-sharing sessions can help bridge knowledge gaps and improve the team's expertise in sustainability topics.

Opportunities: Firstly, Consistent training and knowledge-sharing can help create a culture of sustainability within the organisation, where sustainability is seen as a core value rather than a separate initiative. Secondly, sharing knowledge and ideas with employees can encourage innovation and new thinking around climate initiatives. Thirdly, offering training and development opportunities in sustainability can make the company more attractive to potential employees and help retain current staff by providing opportunities for career growth.

SUMMARY

This Whitepaper was written as a collaborative effort between various organisations convening in a roundtable in April 2023 in preparation for the first Swiss Climate Reporting Forum. The structure follows the Climate Reporting Canvas, consisting of four fields: vision, challenges, actions and opportunities. Following the Climate Reporting Canvas, this paper identifies key attributes to a successful Sustainability and Climate Reporting Vision, which should be goal-oriented, transparent, accurate, comparable, accountable, and actionable. Finally, the Whitepaper categorises the challenges in reaching this vision into four groups – reporting, data, people and resources. For each group, actions and opportunities are identified, summarised on the following page.

Outlook

In the context of climate change, the broader world of Climate Reporting is undergoing massive change. Once a cottage industry voluntarily caters to the specialised requirements of a niche group of primarily idealistically motivated stakeholders, the incoming scenario could hardly be more different: Sustainability Reporting, led by Climate Reporting, is guided by an increasingly consolidating landscape of regulatory disclosure standards. Reports will be subject to independent, third-party assurance, beginning with “limited” and growing up to “reasonable”. The quality of information transmitted in Sustainability Reporting will have to move from the marketing brochure category to the controlled and auditable framework of financial disclosures. All this probably means that the CFO will be the best-suited in-house owner of the Sustainability Reporting process as we advance.


A primary purpose of Climate Reporting is to supply capital markets with reliable non-financial information that is similarly useful and relevant as financial information in capital allocation decisions. Therefore, it needs to be of comparable quality and timeliness and effectively communicated via a digital-first approach.

Ultimately, the goal of Climate Reporting must be to guide management decisions for companies and capital allocation into a resilient and sustainable future.

Challenges

Actions

Reporting

- Evolving regulation
 - Regional reporting differences
 - Swiss reporting standard choice
 - Reporting in a machine-readable format
 - Scope of double materiality
 - “The Reporting Telephone Game”
- Make reporting decision relevant
 - Follow established reporting frameworks & standards
 - Simplify reporting language
 - Join associations & expert networks
 - Choose TCFD Reporting 
 - Develop XBRL competencies
 - Assess double materiality

Data

- Lack of data & data fragmentation
 - Low data quality & persistent data inaccuracy
 - Missing data traceability
 - Insufficient data documentation
 - Growing demands due to external data validation
 - Increasing data requests
 - Requests for revealing sensitive data
 - Increasing complexity with forward-looking data
 - Inadequate data management tools
- Invest in digital data collection & management technologies
 - Implement a clear data collection process
 - Collaborate with stakeholders
 - Hire specialised personnel

People

- Lack of management support
 - Lack of accountability & targets
 - Lack of skills & experience
 - Need for compliance & climate knowledge
 - Complexity from a multidisciplinary topic
 - Involvement of diverse stakeholders
- Foster a strong climate leadership
 - Set clear targets & KPIs
 - Invest in employee training & development
 - Build cross-functional teams
 - Engage with stakeholders
 - Involve finance

Resources

- Missing budget allocation
 - Underequipped sustainability team
 - Missing digitalisation
 - Missing knowledge
 - Lack of stakeholder involvement
 - Missing integration
- Calculate a clear business case for sustainability
 - Invest in the team's capacity
 - Create training & knowledge-sharing sessions

DISCLAIMER

This Whitepaper is intended to provide general guidance to companies from various sectors and stages of progress in Climate Reporting. It is not intended to be a comprehensive or exhaustive resource and should not be relied upon as a substitute for professional advice or due diligence. The information and recommendations in this Whitepaper are based on the authors' experience and may not be applicable or suitable for all companies or situations. Practitioners should always use their own judgement, expertise, and common sense when evaluating the applicability and reasonableness of any opportunities presented in this Whitepaper. Furthermore, the regulatory and business environment related to Climate Reporting is subject to change, and the information presented in this Whitepaper may not reflect the latest requirements or best practices. Therefore, readers should ensure they are up-to-date on the latest developments and consult with qualified professionals as necessary.

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GLOSSARY

Carbon Disclosure Project (CDP)

CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Over the past 20 years, we have created a system that has resulted in unparalleled engagement on environmental issues worldwide.

[Link to CDP for more information](#)

Corporate sustainability reporting (CSRD)

The Corporate Sustainability Reporting Directive (CSRD) is an EU legislation that enhances and standardises sustainability reporting by companies operating within the EU. The directive builds upon the existing Non-Financial Reporting Directive (NFRD). It seeks to align corporate reporting with the sustainability goals and objectives outlined in the EU's Green Deal and the Sustainable Development Goals (SDGs). It will affect companies larger than 250 employees and will most likely be a blueprint for other regional legislators to regulate non-listed companies' sustainability reporting.

[Link to EC for more information](#)

Double Materiality

Double materiality is a concept which provides criteria for the determination of whether a sustainability topic or information must be included in the undertaking's sustainability report. Double materiality uses two main views - (1) financial materiality & (2) impact materiality.

- (1) A sustainability topic is material from a financial perspective if it triggers financial effects on undertakings, i.e., generates risks or opportunities that influence or are likely to influence the future cash flows and, therefore, the enterprise value of the undertaking in the short, medium or long term but are not captured by financial reporting at the reporting date. These guidelines do not relate to financial reporting by undertakings, and therefore the definition of financial materiality used in Sustainability Reporting should not be mistaken for the concept of materiality used in the process of determining which information should be included in the undertaking's financial statements.

(2) Impact materiality is a characteristic of a sustainability topic or information in relation to an undertaking, in a particular sector or in all sectors. A sustainability topic or information is material from an impact perspective if the undertaking is connected to actual or potentially significant impacts on people or the environment and is related to the sustainability topic over the short, medium or long term.

We used the definitions as provide by the [European Sustainability Reporting Guidelines](#).

An extension of the double-materiality, scenario-based materiality encourages proactive identification and assessment of potential risks. It facilitates dynamic strategic planning, allowing organisations to anticipate better and respond to changes in the business environment. Scenario-based materiality may extend beyond the double-materiality required to better capture emerging and evolving risks and opportunities.

Emission scenario

Describes a plausible representation of the future development of emissions of substances that are radiatively active (e.g., greenhouse gases (GHGs), aerosols) based on a coherent and internally consistent set of assumptions about driving forces (such as demographic and socioeconomic development, technological change, energy, and land use) and their key relationships. Concentration scenarios, derived from emission scenarios, are often used as input to a climate model to compute climate projections.

[Link to IPCC for more information](#)

European Sustainability Reporting Standards (ESRS)

The European Sustainability Reporting Standards (ESRS) define the Corporate Sustainability Reporting Directive (CSRD) rules. They set the structure and disclosure requirements that companies, banks and insurance companies in scope will need to report on. The first set of ESRS was submitted after its final editorial review by EFRAG to the European Commission in November 2022. The first set of 12 standards outlines the reporting requirements for the CSRD.

[Link to EFRAG for more information](#)

Greenhouse gas (GHG)

Greenhouse gases are those gaseous constituents of the atmosphere, both natural and anthropogenic, that absorb and emit radiation at specific wavelengths within the spectrum of terrestrial radiation emitted by the Earth's surface, the atmosphere itself, and clouds. This property causes the greenhouse effect. Water vapour (H₂O), carbon dioxide (CO₂), nitrous oxide (N₂O), methane (CH₄) and ozone (O₃) are the primary GHGs in the Earth's atmosphere.

[Link to IPCC for more information](#)

Global Reporting Initiative (GRI)

The Global Reporting Initiative is an international independent standards organisation that helps businesses, governments, and other organisations understand and communicate their impacts on climate change, human rights and corruption.

[Link to Global Reporting for more information](#)

IFRS S1 and S2

In March 2022, the ISSB published Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, proposing overall requirements for an entity to disclose sustainability-related financial information about its sustainability-related risks and opportunities. The Exposure Draft also proposed that an entity provide the market with complete sustainability-related financial disclosures.

The ISSB then published the IFRS S2 Climate-related Disclosure, which requires firms to disclose material information about their significant climate-related risks and opportunities and to disclose information enabling an investor to assess the effect of climate-related risks and opportunities on its enterprise value.

[Link to IFRS for more information](#)

Intergovernmental Panel on Climate Change (IPCC)

The Intergovernmental Panel on Climate Change (IPCC) is an international scientific body established by the United Nations Environment Programme (UNEP) and the World Meteorological Organization (WMO). Its primary role is to provide policymakers with objective and comprehensive assessments of climate change's scientific, technical, and socioeconomic aspects. Their scenarios provide a range of

possible future trajectories based on different climate policies, socioeconomic developments, and technological advancements.

[Link to IPCC for more information](#)

International Organization for Standardization (ISO-Standards)

ISO is an independent, non-governmental international organisation that has developed over 24'000 International Standards covering almost all aspects of technology, management, and manufacturing.

[Link to ISO for more information](#)

International Sustainability Standards Board (ISSB)

The International Sustainability Standards Board is responsible for developing IFRS Sustainability Disclosure Standards to provide a global baseline of sustainability disclosures and further inform economic and investment decisions.

[Link to IFRS for more information](#)

Net zero emissions

Net zero emissions are achieved when anthropogenic removals balance anthropogenic emissions of greenhouse gases to the atmosphere over a specified period. Where multiple greenhouse gases are involved, the quantification of net zero emissions depends on the climate metric chosen to compare emissions of different gases (such as global warming potential, global temperature change potential, and others, as well as the selected time horizon).

[Link to IPCC for more information](#)

Network of Central Banks and Supervisors for Greening the Financial System (NGFS)

The Network of Central Banks and Supervisors for Greening the Financial System (NGFS) is a global network comprising central banks, supervisory authorities, and international organisations. Established in 2017, its primary objective is to promote the integration of climate-related risks into the financial sector and mobilise its resources to support the transition to a sustainable and low-carbon economy. Their scenario analysis aims to evaluate the financial implications of climate change and facilitate effective risk management.

[Link to NGFS for more information](#)

Paris Agreement

The Paris Agreement under the United Nations Framework Convention on Climate Change (UNFCCC) was adopted on December 2015 in Paris, France, at the 21st session of the Conference of the Parties (COP) to the UNFCCC. One of the goals of the Paris Agreement is 'Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognising that this would significantly reduce the risks and impacts of climate change.

[Link to IPCC for more information](#)

Reporting framework vs reporting standard

Principles-based guidance on information structure, preparation, and broad topics is provided by reporting frameworks. On the other hand, standards offer specific, detailed, and replicable requirements for reporting each topic, including metrics, so what data to disclose and how. Standards make frameworks actionable, ensuring comparable, consistent, and reliable disclosure. Frameworks and standards are designed to be used together and are complementary.

Scope 1, 2 and 3 (GHG emissions)

Scope 1: Direct Emissions - This includes on-site energy like natural gas and fuel, refrigerants, emissions from combustion in owned or controlled boilers, and emissions from fleet vehicles (e.g., cars, trucks). Scope 1 emissions encompass process emissions that are released during industrial processes and on-site manufacturing (e.g., chemicals).

Scope 2: Indirect Emissions - It includes indirect greenhouse gas emissions from purchased or acquired energy, like electricity, steam, heat, or cooling, generated off-site and consumed by the company.

Scope 3: Indirect Value Chain Emissions - It includes all indirect emissions that occur in the value chain of a reporting company. The GHG Protocol divides the Scope 3 emissions into Upstream - purchased or acquired goods (tangible products) and services (intangible products) - and Downstream emissions - sold goods and services and emitted after they leave the company's ownership or control.

[Link to GHG Protocol for more information](#)

Sustainable Development Goals (SDGs)

The SDGs, or Sustainable Development Goals, are a set of 17 global goals established by the United Nations in 2015. They serve as a universal call to action to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity by 2030. The SDGs cover many interconnected issues, including poverty eradication, quality education, clean energy, gender equality, sustainable cities, climate action, and more. Each goal has specific targets and indicators to measure progress. The SDGs aim to create a sustainable and equitable future for all people and the planet.

[Link to the UN SDGs for more information](#)

US Generally Accepted Accounting Principles (US GAAP)

US GAAP refers to the accounting standards, principles, and procedures that are followed in the United States for financial reporting purposes. US GAAP provides a standardised framework for preparing and presenting financial statements to ensure consistency, comparability, and transparency in financial reporting across different organisations.

[Link to the FASB for more information](#)

eXtensible Business Reporting Language (XBRL)

XBRL is a freely available and global framework for exchanging business information. XBRL allows the expression of semantic meaning commonly required in business reporting.

[Link to XBRL for more information](#)



Whitepaper
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Blueprint**