

A scenic landscape photograph of a mountain valley. In the foreground, a river flows through a lush green forest. The middle ground shows rolling green hills with scattered trees. In the background, majestic snow-capped mountains rise against a blue sky with light clouds.

TCFD Disclosure: Guidance and Best Practice in the Swiss Context

Webinar, 10 October 2023

Speakers



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Climate and ESG
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(for Q&A)

Programme

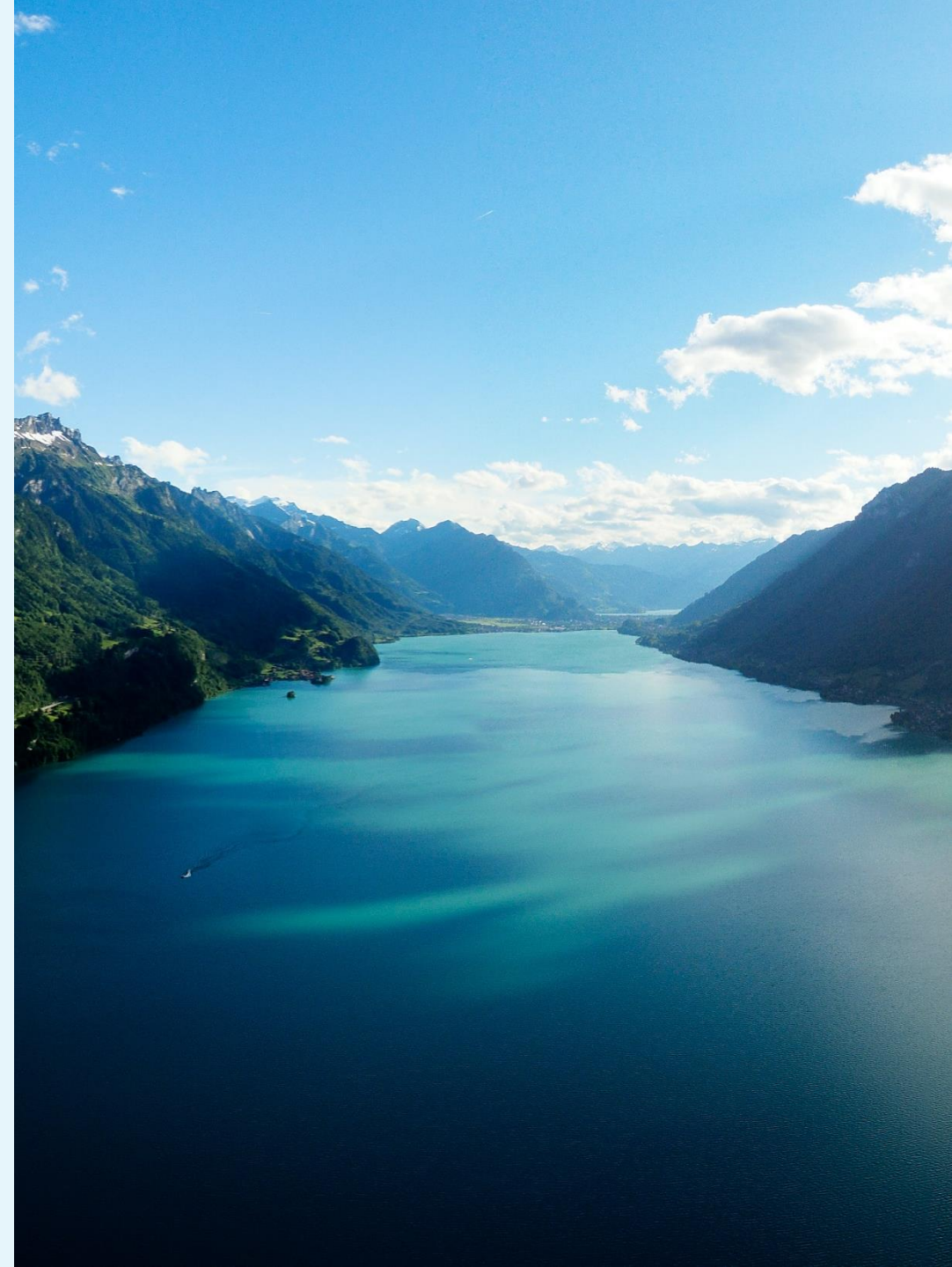
Time	Topic	Speaker
11:00	Welcome note & programme	Sabine Döbeli, SSF
11:05	Swiss legal context	Katja Brunner, SSF
11:15	TCFD reporting for financial institutions	Olivier Jaeggi, ECOFACT
11:25	Practical insights of BNP Paribas	Sébastien Soleille, BNP Paribas
11:35	Q&A	all
12:00	End of webinar	

Technical information

- All participants are muted and cameras off
- Use speaker mode for best viewing experience
- Ask questions in Q&A
- Feel free to «like» questions you wish to be answered
- Presentation and recording will be available after event

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Swiss legal context



Code of Obligations (CO) – non financial reporting

Transparency on Non-Financial Matters

Art. 964a-964d CO

- Reporting obligation on non-financial matters (entry into force: 1 January 2022)
- **Large companies** (at least 500 full-time equivalent position and either and either a balance sheet total of CHF 20 million or a sales revenue of CHF 40 million)
- Reporting on environmental matters in particular CO2 goals, social issues, employee-related issues, respect for human rights and combating corruption
- **Ordinance on Climate Disclosure** (entry into force: **1 January 2024**)
- If the reporting is based on the **TCFD recommendations** and covering the topics governance, strategy, risk management as well as key figures and targets, the climate reporting obligations according to Art. 964b para. 1 CO are fulfilled.

Key points of the report of non-financial matters

- **Comply-or-explain** approach (Art. 964*b* para. 4 CO)
- If the report is based on **national, European or international regulations**, report must mention these regulations (Art. 964*b* para. 5 CO)
- Report must **cover all companies controlled** (be it Swiss or foreign; Art. 964*b* para. 5 CO)
- **Approval** and **signature** of the report of the supreme management/ body (e.g. board of directors of Swiss stock corporations)
- Approval by the entity responsible for reviewing the annual accounts (e.g. shareholders' assembly of Swiss stock corporations)
- **National language or English**, immediate **online publication** after the approval, be publicly accessible for at least 10 years (Art. 964*b* para. 6 and Art. 964*c* para. 2 CO)

Additional requirements of the Ordinance on Climate Disclosures

- Adopted by the **Federal Council** in November 2022
- **TCFD recommendations as safe harbour** for reporting on climate matters (Art. 2 para. 1 and Art. 3 of the Ordinance)
- Climate reporting must be published electronically in at least one human-readable and one machine-readable electronic format in common international use and must be made available on the company's website (Art. 4 Ordinance)
- **Entry into force: January 1, 2024**
 - Alignment of non-financial reports with the requirements of the Ordinance on Climate Disclosure from 2025 for reporting on the 2024 financial year (climate reporting as part of the non-financial report)
 - Transitional period until January 1, 2025 for the requirement for a machine-readable electronic format

Swiss Climate Obligations vs. TCFD-recommendations

- Swiss climate disclosure obligations **do not fully reflect**, but closely adhere to the recommendations and implementation guidance from the TCFD.
- However, they do **also** introduce some additional and/or diverging specifications:

Parameter	Ordinance on Climate Disclosures	TCFD Recommendations
Approach to disclosure	“Comply-or-explain”: Companies can choose not to comply with requested disclosures if well-substantiated.	Disclosure should develop and expand over time, in line with evolving market practice and methodologies, the availability of data and the growing experience of reporting companies.
Materiality perspective	Double materiality: The effects of climate change on the company and the effect of companies’ activities on climate change	By structure and formulation, the TCFD Recommendations follow more a financial materiality perspective than an impact materiality perspective, but the TCFD advises companies to determine materiality consistent with how they determine the materiality of other information included in their financial filings. ¹⁵
Where to publish	Non-financial report	Financial report (for material information)
Disclosure formalities	Machine-readable format	-

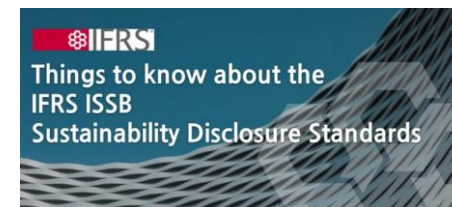
New Developments

ISSB (International Sustainability Standards Boards) published the first two Sustainability Disclosure Standards in June 2023 (IFRS S1 and IFRS 2)

- ISSB Sustainability Disclosure Standards build on the **TCFD recommendations** (IFRS takes over the monitoring of the TCFD disclosures)

Federal Council (FC) decided on key parameters for a consultation draft to amend the non-financial reporting obligations (Art. 964a-964d OR) on 22 September 2023

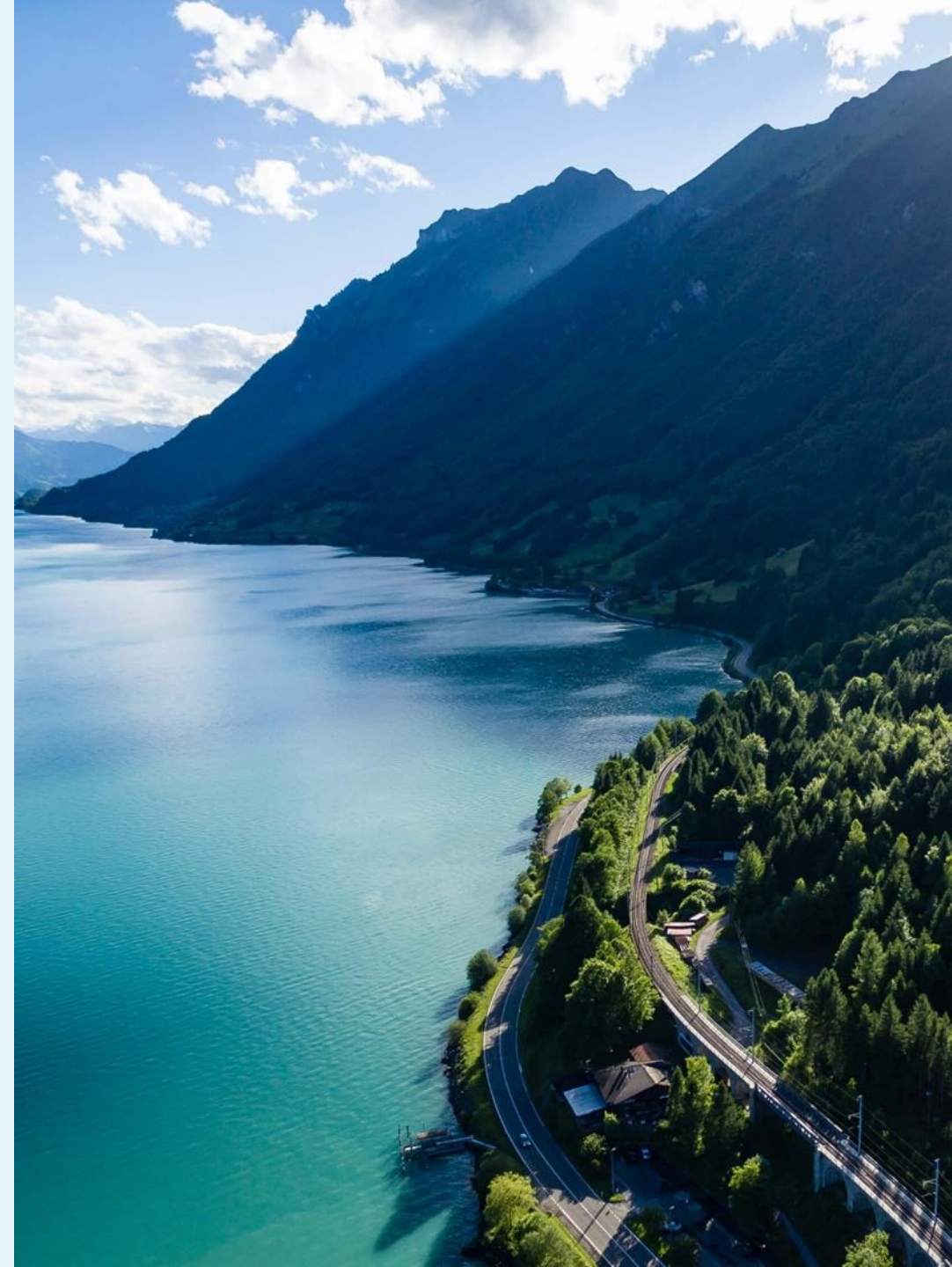
- Federal Council has taken note of the current developments in the EU regarding the corporate sustainability reporting.
- Large and small Swiss companies will be affected by these developments
- Swiss law should be adapted: consultation draft by July 2024
 - The threshold value for the non financial reporting obligation should be lowered from 500 to 250 employees
 - External audit of the non-financial reporting
 - Non financial reporting may follow either the EU standard or another equivalent standard
 - FC is still analysing the question whether foreign companies operating in Switzerland are automatically subject to Swiss law or not



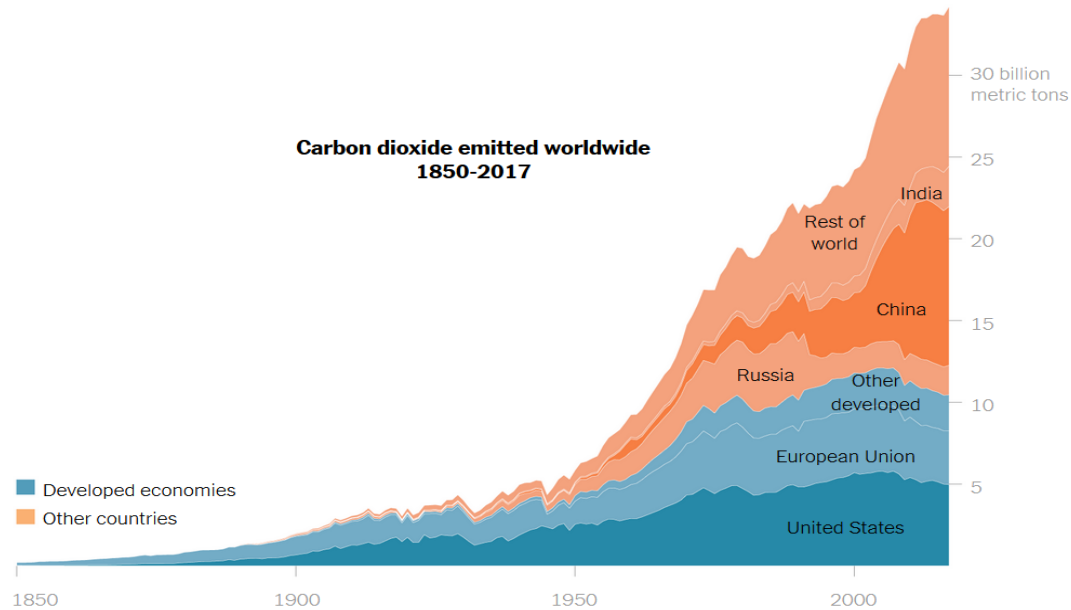
Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
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TCFD reporting for financial institutions



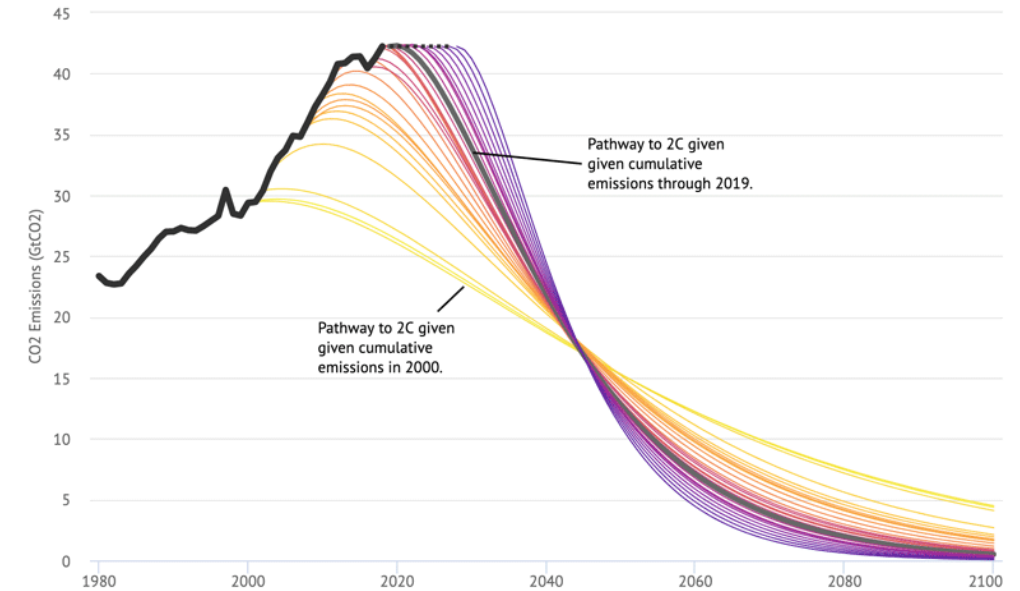
Climate change: Tremendous challenges are coming



Note: Total carbon dioxide emissions are from fossil fuels and cement production and do not include land use and forestry-related emissions. Russia data includes the Soviet Union through 1991, but only the Russian Federation afterward. - Source: Research Institute for Environment, Energy and Economics at Appalachian State University - By Veronica Penney

Source: *The New York Times, The U.S. Is the Biggest Carbon Polluter in History. It Just Walked Away From the Paris Climate Deal.*

The later emissions peak the harder it is to limit warming below 2C



Source: *Carbon Brief, Global emissions.*

Structure of the practical guidance on TCFD reporting



The guidance is organized along the four-pillar structure of the recommendations of Task Force on Climate-related Financial Disclosure (TCFD): governance, strategy, risk management, and metrics and targets.

The guidance follows the same structure across all four pillars:



What is it about and how does it apply to financial institutions?






Practical tips for implementing and reporting based on the TCFD recommendations






Overview of other useful resources which provide additional guidance

Tips for implementing and reporting: Governance and strategy

	Pillar I: Governance	Pillar II: Strategy
<p>What is it about?</p> 	<p>The governance pillar focuses on the importance of effective organizational structures: how to best manage and monitor climate-related risks and seize climate-related opportunities.</p>	<p>A broad understanding of climate-related risks and opportunities is essential to comprehend how these risks and opportunities need to be considered in your business strategy and manifest in your business lines (i.e. financing businesses, advising investors, investing in assets).</p>
<p>Tips for implementation</p> 	<p>Adjust internal policies and guidelines within your organization, assign responsibilities, and implement communication channels.</p>	<p>Define an ambition that aligns with your capacities and exposure (material risks and opportunities) and reflects your vision for the future. Start to develop your scenario analysis capabilities to test the resilience of your business strategy.</p>
<p>Tips for disclosure</p> 	<p>Organizational charts can help visualize climate-related responsibilities and reporting channels.</p>	<p>Describe risks and opportunities specific to your business activities for different time horizons. Communicate the concrete, time-bound, and measurable actions of your transition plan.</p>

Tips for implementing and reporting: Risk management, and metrics and targets

	Pillar III: Risk Management	Pillar IV: Metrics and Targets
What is it about? 	<p>The risk management pillar focuses on climate-related risks from a process perspective: how climate risks act as drivers for existing risk categories, how climate risks are assessed, and how financial institutions should integrate climate risks into their existing risk management frameworks.</p>	<p>The TCFD suggests a threefold approach to quantitative information: disclosure of metrics to assess climate-related risks and opportunities (outside-in perspective), disclosure of greenhouse gas emissions (inside-out perspective), and disclosure of targets and target-related metrics (key performance indicators).</p>
Tips for implementation 	<p>Integrate climate risks within your existing risk management framework and adjust internal policies and processes to reflect consideration of climate-related risks: due diligence guidelines, risk inventory, risk appetite statement, materiality assessment, risk assessment criteria, risk monitoring processes, etc.</p>	<p>Metrics and targets should align with your ambition and strategy.</p>
Tips for disclosure 	<p>Describe climate-related risks within the traditional banking risk categories. Illustrations can help you report identified climate-related risks.</p>	<p>Metrics and targets should be contextualized and disclosed transparently.</p>

How to use the guidance

1

Familiarize yourself with the TCFD recommendations

- Become familiar with the TCFD recommendations (four pillars, 11 recommendations).
- Understand how climate-related risks impact your specific institution and how to seize climate-related opportunities.
- Use the provided resources to familiarize yourself with more challenging concepts such as risk identification and assessment, scenario analysis, and transition plans.

2

Start your TCFD disclosure

- Implement effective organizational structures and allocate the responsibilities of the board, senior management and risk management.
- Use the guidance to identify the need for action in the four different pillars and to implement the specified tasks.
- Expand your knowledge on the different topics within the four pillars with the additional resources.

3

Improve your TCFD disclosure

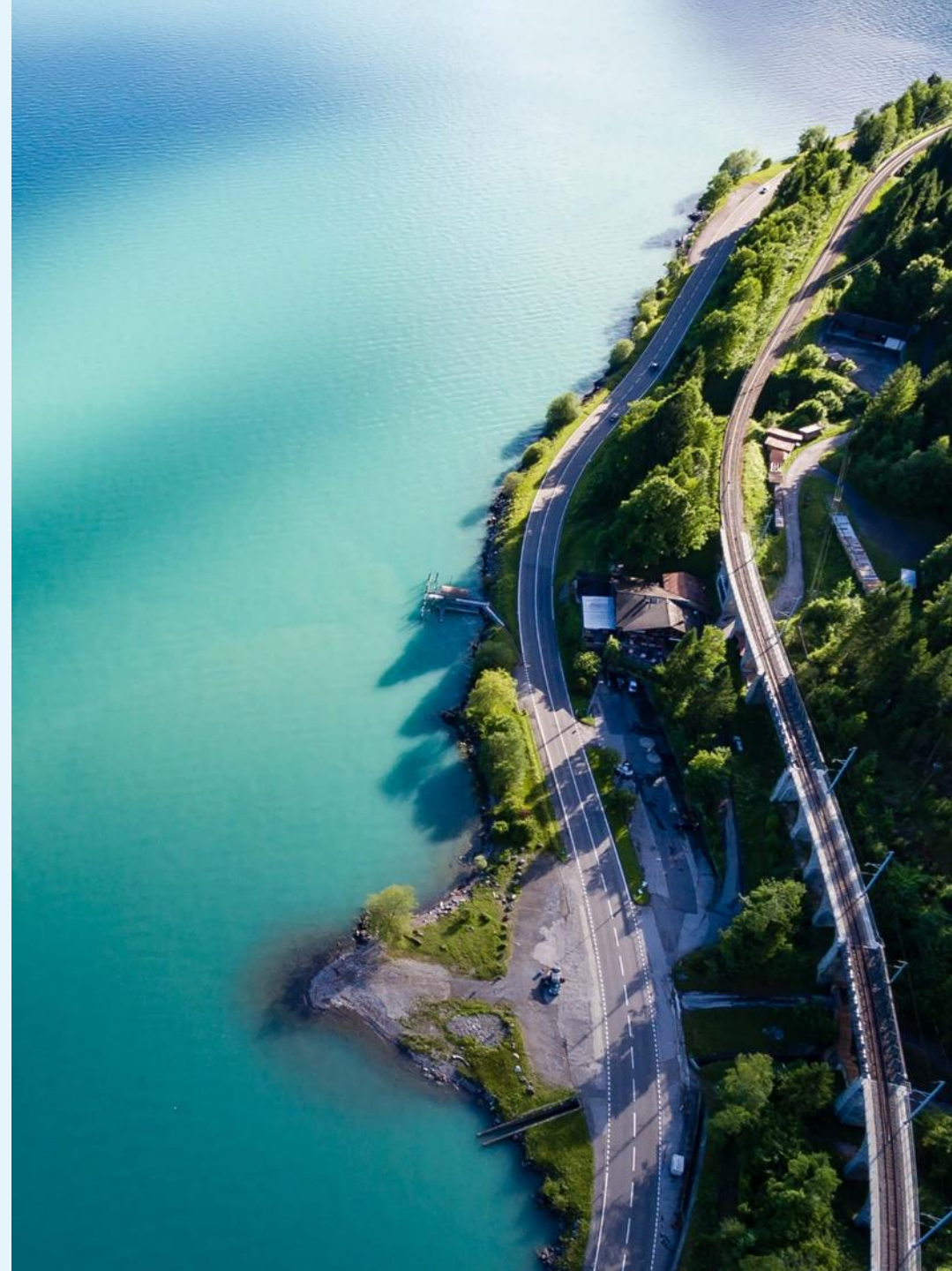
- Use the guidance as a checklist for your climate reporting to identify gaps in your current climate reporting against the TCFD recommendations and drive further action.
- Use the guidance to further develop methods and practices.
- Compare your organization with the progress of your peers.

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Practical insights of BNP Paribas



5 Q & A



Thank you!

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