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Federal Council report on sustainability

A 15 point action plan

Par Sonia De la Fuente le 11 January 2023

On December 16, 2022, the Federal Council published a Sustainability Report (Rapport) for the years 2022-2025, which takes stock of current measures and makes various recommendations to consolidate Switzerland's position in sustainable finance.

Switzerland's strategy comprises fifteen new and existing measures in four areas :

Business data on sustainable development : The collection of and access to quality information is a prerequisite for investors to be able to compare financial products and make informed investment decisions. The aim is to improve the quantity and quality of data available to the industry and investors. In particular, the data targeted concern the climate risks (incurred and caused) by major corporations, the risks associated with the decline in biodiversity, and the climate compatibility of Swiss real estate.
Transparency of the financial sector : Following the example of the EU, Switzerland has made transparency one of the pillars of its climate strategy. The Federal Council reiterates the importance of improving transparency in the financial sector. To this end, it calls for the publication of the methodology and strategies used by financial institutions to take climate risks into account. The report also calls on financial institutions to disclose, via their websites, how their engagement strategy and the exercise of voting rights within portfolio companies are compatible with their sustainability objectives (investment stewardship).
Promoting green and social impact investments : The Federal Council intends to continue issuing green bonds, which began in October 2022. In addition to climate and biodiversity protection objectives, which are essential aspects of the Report, this third field of action also aims to promote social impact investment in developing countries, notably through the SDG Impact Finance Initiative launched in 2021 by the DEFR.
Pricing environmental pollution : This last field of action aims to support the setting of a global CO2 price with a view to reducing carbon emissions. It also aims to encourage projects that would facilitate the offsetting of CO2 emissions by financial institutions.

On the whole, the measures and recommendations formulated by the Federal Council in previous reports and other publications are largely taken up in this new report. The approach adopted is also in line with Switzerland's sustainability strategy to date, which has tended to favour solutions adopted on a voluntary basis by market players, and to regard public action as subsidiary to market-led solutions.

In other words, the Report does not contain any major changes in the way Switzerland intends

to implement the measures it is promoting to achieve a successful climate transition. With a few exceptions (in particular, the Ordinance on the Report on Climate Issues, which will come into force in 2024), the 2022-2025 Action Plan is largely based on (non-binding) recommendations for financial institutions.

Nevertheless, the climate policy presented in the report does contain a number of innovations. Firstly, under the influence of ongoing international work, the challenges posed by the loss of biodiversity are now included in the discussions on climate transition. In particular, the Federal Council plans to draw up, in the medium term, transparency recommendations linked to the promotion of biodiversity.

Secondly, certain measures discussed in the past appear to have been dropped. The introduction of a taxonomy, i.e. a classification system to identify economic activities that make a substantial contribution to the achievement of environmental objectives, has been abandoned.

The Report also contains a number of new measures. In particular, in the regulatory field, the FDF has been mandated to define, in collaboration with FINMA and representatives of the financial sector, the appropriate measures to implement the Federal Council's recent position on the prevention of greenwashing. The FDF has until September 30, 2023 to submit its proposals.

The FDF has also been mandated to examine whether the creation of a new collective investment category could facilitate social impact investments, and to identify the related opportunities and risks. FINMA and industry players will also be involved in the analysis of such a measure, which would entail an adaptation of financial market law.

The Federal Council's most recent communications and position papers cover a relatively ambitious agenda in terms of the number and scope of subjects addressed, although few concrete changes are envisaged.

In line with the agenda announced last December, the year 2023 will mainly be devoted to the evaluation (by the FDF in particular) of measures already adopted and recommendations issued by the Federal Council, notably with regard to the implementation of a policy to combat greenwashing, the use of Swiss Climate Scores and progress in the conclusion of sectoral agreements by players in the financial sector.

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