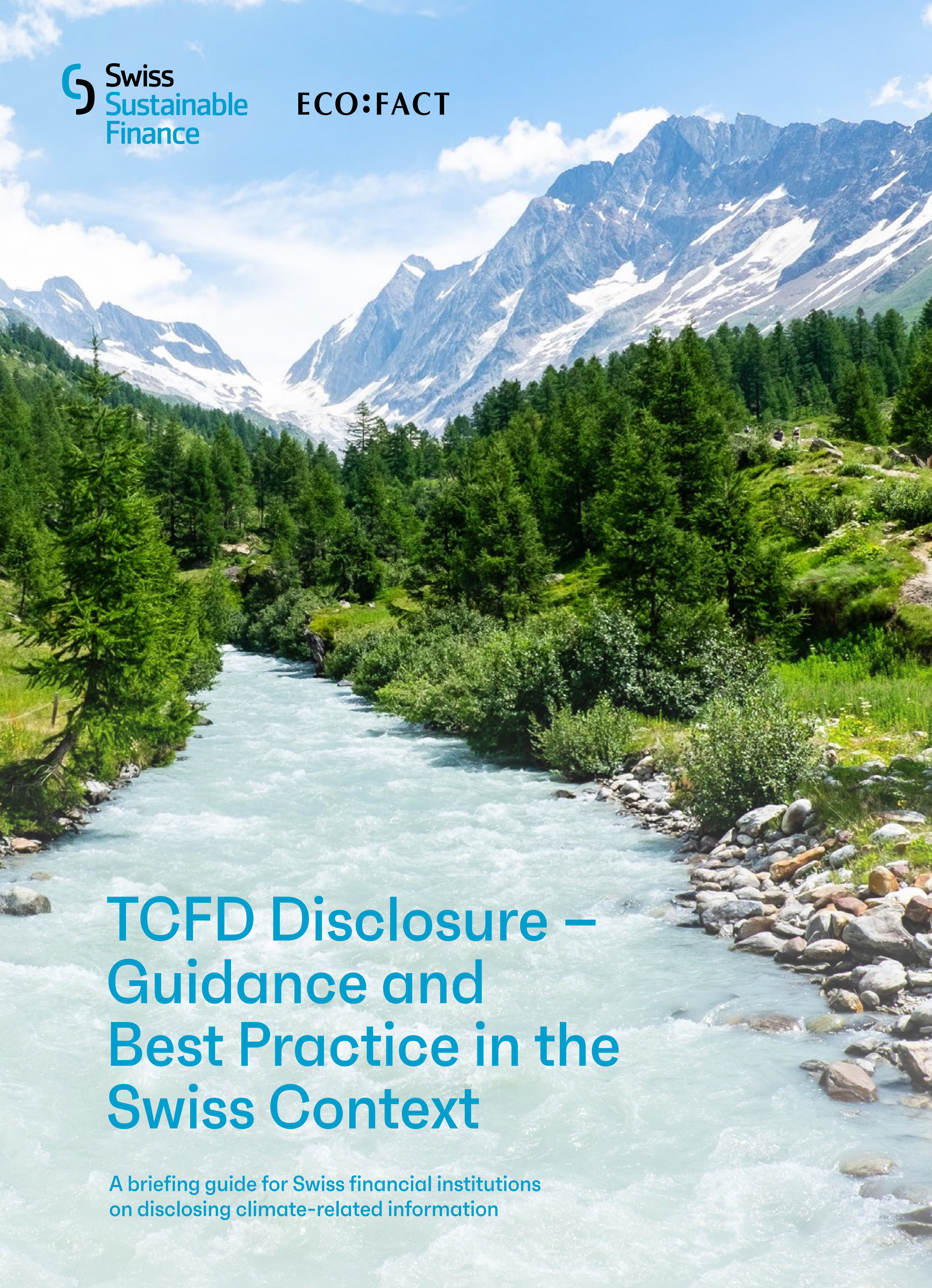

Swiss Sustainable Finance

ECO:FACT

TCFD Disclosure – Guidance and Best Practice in the Swiss Context

A briefing guide for Swiss financial institutions on disclosing climate-related information

Preface

The effects of climate change are no longer distant warnings; they have evolved into vivid realities. From extreme droughts to devastating floods and the shrinking of glaciers, these phenomena stand as a proof of the urgent need for action. The extent of the change required to attain net zero emissions by 2050 is often underestimated. As the negative consequences of inaction intensify in severity, regulators will increasingly be under pressure to tighten frameworks. This results in substantial transitions risks for all sectors.

Within this transformation to a net zero economy, the financial services sector occupies a pivotal role. It must allocate capital with a clear understanding of actual risks and a consideration of long-term impacts. Complete comprehension of emerging risks is hence relevant for companies of all sizes.

The important public vote on the Climate and Innovation Act held in June 2023, anchoring the net zero objective within Swiss law, is a signal to both government and private sectors: the time has come to establish the necessary frameworks and reshape all activities into carbon-neutral forms of business. In addition, according to the Swiss Code of Obligations and the Ordinance on Climate Disclosures, many companies of the entire economy are now obliged to report on climate risks – a stride towards fostering transparency. TCFD (Task Force on Climate-related Financial Disclosures) forms the cornerstone of this reporting journey. It offers a comprehensive framework that not only helps to establish more strategic planning, increase awareness as well as identify risks and impacts, but also reveals opportunities for transformative change which can result in a competitive advantage.

The integration of the TCFD standard into the IFRS framework represents a significant step towards consistent global climate reporting. However, it's essential to recognize that as a consequence it will change its nature and evolve over time, ensuring its on-going relevance.

In the chapters that follow, you will uncover insights, guidance, and best practices that equip you to provide the essential transparency required. Transparent reporting is a starting point for effective action. With this guide we hope to support you on this path.

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Part I

Introduction and Swiss legal context

A TCFD as a disclosure framework for climate-related information

This briefing guide is primarily intended to help Swiss financial institutions prepare for climate-related disclosures that will become mandatory for some financial institutions from the 2024 financial year, as required by the Swiss Code of Obligations ("CO")[1] and the Ordinance on Climate Disclosures[2]. Even if an organization is not legally required to publish climate-related information, following the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and guidance enables it to develop the structures and processes required to deal professionally with climate-related risks and opportunities. It also permits it to join peers globally in providing comprehensive and comparable information for investors and other stakeholders.

The climate-related disclosure obligations are part of environmental matters within the framework of non-financial reporting obligations provided by the CO that entered into force in 2023. The CO does not provide specific, detailed reporting requirements for non-financial matters. In addition, the Ordinance on Climate Disclosures refers to the recommendations of the TCFD as the way forward to comply with the regulation. However, the Swiss regulator has refrained from incorporating these recommendations in their entirety.[3]

The TCFD, originally set up by the Financial Stability Board (FSB), has issued recommendations to enable investors, lenders, and insurance underwriters to appropriately assess and price climate-related risks and allocate capital more efficiently. The recommendations and accompanying guidance published by the TCFD serve as a helpful blueprint to prepare climate-related disclosures to that end. The International Sustainability Standards Boards (ISSB) and the European Union (EU) have developed a set of dedicated, granular standards for the purpose of sustainability and climate reporting (see Box 1 on p. 8 for a brief overview of international developments around sustainability and climate disclosure standards).

This guide addresses climate reporting and sustainability practitioners in Swiss financial institutions to help them implement processes and structures in their institutions, and report on them based on the TCFD recommendations.[4] It does not claim to be comprehensive and does not represent legal advice.

Note that in addition to the legal climate disclosure requirements as part of the non-financial reporting obligations, and whether a financial institution is subject to these obligations or not, the current legal framework in Switzerland requires financial institutions to consider material climate-related risks in their activities (for an overview, see Box 3 on p. 13).

1 Art. 964a-964c Code of Obligations (CO), Classified Compilation 220, https://www.fedlex.admin.ch/eli/cc/27/317_321_377/en.

2 Classified Compilation 221.434; https://www.fedlex.admin.ch/eli/cc/2022/747/de.

3 Art. 3 para. 1 of the Ordinance explicitly refers to the version of the TCFD recommendations of June 2017 and the "Annex Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures", version of October 2021 (Art. 3 para. 1 of the Ordinance). This basically implies that any further guidance on these recommendations as well as potential future developments of the TCFD recommendations and the Annex are not included by the Ordinance. See also the explanatory statement ("Erläuterungen") on the Ordinance by the Federal Department of Finance of November 23, 2022, Chapter 1.8 setting out the legal basis for the Ordinance ("Rechtliche Grundlagen der Verordnung"): "Im Bereich des Privatrechts ist der Erlass eines Ausführungsverordnung wie der vorliegenden Verordnung ungewöhnlich und bedarf einer besonderen Begründung. In der Regel werden formell gesetzliche Bestimmungen im Privatrecht nur durch Verordnungsrecht des Bundesrates ergänzt, wenn das Gesetz dies im Rahmen einer Delegation von Rechtsetzungsbefugnissen an den Bundesrat vorsieht. Wenn eine solche Delegation fehlt… Eine auf Artikel 182 Absatz 2 BV gestützte Verordnung darf bloss Ausführungsrecht enthalten. Hingegen würden gesetzesvertretende oder –ergänzende Regelungen den Rahmen einer auf Artikel 182 Absatz 2 BV gestützten Verordnung überschreiten. Um im Rahmen blossen Ausführungsrecht zu bleiben, beschränkt sich die Verordnung im Wesentlichen darauf zu deklarieren, dass die Empfehlungen der TCFD…zur Erfüllung der Berichterstattungspflicht im Bereich der Klimabelange nach Artikel 964*b* OR geeignet sind."

4 Please note that the implementation suggestions in this publication cover the TCFD recommendations and related guidance comprehensively. Financial institutions can adapt the degree of implementation of processes and structures to their individual level of ambition, as long as they align with the regulatory reporting requirements detailed in the Swiss Code of Obligations (see section on regulatory requirements).

International evolution of climate disclosure standards

Internationally, standard-setters and reporting frameworks have joined forces to ensure the interoperability of reporting standards globally. To that end, the International Financial Reporting Standards (IFRS) Foundation has set up the International Sustainability Standards Boards (ISSB), which released two standards (IFRS S1 on general reporting requirements and IFRS S2 on climate-related disclosures) in June 2023. The ISSB standards (IFRS S1 and IFRS S2) fully incorporate the recommendations of the TCFD. It is expected that these standards will act as a global baseline for sustainability and climate reporting. They will become effective from 2024,[5] when the IFRS Foundation will take over responsibility for monitoring the progress of companies' climate-related disclosures from the TCFD.[6] The EU has been pushing ahead with the development of its own sustainability standards: The European Sustainability Reporting Standards (ESRS). There are currently twelve general and topical standards, including one on climate change. These standards describe what companies in scope must disclose to comply with the new Directive on Corporate Sustainability Reporting (CSRD) that will become applicable for a number of companies from the 2024 financial year. In a next step, sector-specific standards will be developed.

Box 1

5 Source: ISSB Climate-related Disclosures: Current stage and ISSB General Sustainability-related Disclosures: Current stage.

6 Source: IFRS Foundation welcomes culmination of the TCFD work and transfer of TCFD monitoring responsibilities to ISSB from 2024.

B Requirements of the Code of Obligations regarding non-financial reporting

The Swiss Parliament adopted new provisions within the CO on non-financial reporting under section six, "Transparency on Non-Financial Matters" (Art. 964*a*-964*c* CO). The provisions came into force on January 1, 2022, applicable from January 1, 2023. This means that starting in 2024 (covering the 2023 financial year), certain companies must submit the corresponding reports annually.

Who does it apply to?[7]

— Companies of public interest[8] (for example, publicly traded companies and large financial institutions) must publish a report on non-financial matters each year if, in two successive financial years and together for all Swiss or foreign companies controlled by them, they have at least 500 full-time positions (annual average) and exceed at least one of the following two thresholds: A balance sheet total of CHF 20 million or sales revenues of CHF 40 million.

— Companies meeting these criteria will be exempt from reporting if they are controlled by another company subject to the Swiss non-financial reporting obligations (see bullet above) or are required to prepare an equivalent report under foreign law (Art. 964*a* para. 2 CO).

What are non-financial matters?

— The report on non-financial matters needs to cover the following elements (Art. 964*b* para. 1 and 2 CO): Environmental matters, in particular the CO2 goals, social issues, employee-related issues, respect for human rights, and the fight against corruption. This is in order to understand the business performance, the business result, the state of the undertaking and the effects of its activity on these non-financial matters. The report must include a description of the business model and the policies adopted in relation to the non-financial matters, including the due diligence applied, the measures taken to implement these policies and an assessment of their effectiveness. The report must also describe the main risks associated with these issues and how the company manages these risks. Finally, the main performance indicators for dealing with these issues must be disclosed.

— In general, it is up to the companies to decide how to implement the reporting requirements since no further guidance is given by the regulator apart from one exception: The Federal Council specified the requirements for climate disclosure in the Ordinance on Climate Disclosures (see section C on p. 11 ff.)

What are the key points of the report on non-financial matters?

— If a company does not to follow a policy for one or more of these issues, it can opt out from reporting as outlined above and clearly explain the reason for this in the report ("comply-or-explain" approach; Art. 964*b* para. 4 CO).

— If a company controls, alone or jointly with other companies, one or more other companies (be it Swiss or foreign), the report must cover all of these companies (Art. 964*b* para. 5 CO).

— If the report is based on national, European or international regulations, such as the principles laid down by the OECD[9] in particular, these regulations must be mentioned in the report. Furthermore, in applying such regulations it must be ensured that all of the requirements of Art. 964*b* CO are met. If necessary, a supplementary report must be prepared (Art. 964*b* para. 5 CO).

— Reports on non-financial issues require the approval and signature of the supreme management or body, which, in the case of Swiss stock corporations, is the board of directors. Furthermore, similar to the financial report, the non-financial report must be approved by the entity

7 Originally, the provision on transparency on non-financial matters was based on EU Directive 2014/954 (Non-Financial Reporting Directive NFRD), but has been adapted to Swiss law. This EU directive has been revised and will be replaced by the Directive on Corporate Sustainability Reporting (CSDR) as of January 1, 2024. The CSRD's reporting requirements amend and expand the NFRD's provisions. However, this is not currently reflected in Swiss legislation. Source: Eidgenössisches Finanzdepartement, Verordnung über die Berichterstattung über Klimabelange – Erläuterungen of November 23, 2022, p. 3 (Explanatory statement on the Ordinance of November 23, 2022).

8 As defined in Article 2 letter c of the Auditor Oversight Act of 16 December 2005: Public interest entities means: 1. publicly trades companies in accordance with Article 727 paragraph 1 number 1 of the Code of Obligations (CO); 2. supervised persons and entities within the meaning of Article 3 FINMASA which in accordance with Article 9a of this Act must mandate a licensed audit company for regulatory audit with an audit in accordance with Article 24 FINMASA. This means that companies are of public interest if in particular they have equity securities listed on a stock exchange, have bonds outstanding or require a license, recognition, authorisation or registration from FINMA (e.g. banks, insurers).

9 Organisation for Economic Co-operation and Development.

responsible for reviewing the annual accounts, which is typically the shareholders' assembly in Swiss stock corporations.

- The reports must be prepared in a national language or in English (Art. 964*b* para. 6 CO), be published online[10] immediately after approval, and be publicly accessible for at least ten years (Art. 964*c* para. 2 CO).
- Individuals may be criminally sanctioned with a fine up to CHF 100,000 for a deliberate (or of CHF 50,000 for a negligent) breach of the duty to prepare a report, to provide true information, and the duties to make, retain and document the report pursuant to the non-financial reporting obligations required by Art. 964*a* – 964*c* CO (see Art. 325ter of the Swiss Criminal Code[11]). For liability issues, the applicable law applies. The legislator has not determined new requirements.

10 For reporting on climate disclosures as part of reporting on environmental matters, Art. 4 para. 2 of the Ordinance on Climate Disclosures specifies that electronic publication must shall be in at least one human-readable and one machine-readable electronic format in common international use, and shall must be available on the company’s website.

11 Classified Compilation 311.0.

C Additional requirements of the Ordinance on Climate Disclosures

In November 2022, the Federal Council adopted the Ordinance on Climate Disclosures (the "Ordinance"), which requires companies in the scope of Art. 964*a* CO to include additional climate-related information in their non-financial report as part of their reporting on environmental matters in accordance with Art. 964*b* CO. The Ordinance will enter into force on January 1, 2024, and non-financial reports will have to be aligned with its specifications from 2025 for reporting on the 2024 financial year.[12]

Taking a double materiality perspective

— Climate issues need to be considered under a double materiality perspective (Art. 1 para. 2 of the Ordinance). For an explanation of the concept of double materiality, see Box 2 on p. 12.

TCDF Recommendations as safe harbor for reporting on climate matters

— Reporting will be assumed to be in compliance with the climate reporting obligations in accordance with Art. 964b para. 1 CO if it is based on the four pillars of the Recommendations of the TCFD, version of 2017 (governance, strategy, risk management, and metrics and targets[13]), the TCFD's implementation guidance, version of 2021 (sector-specific and sector-agnostic) and, where possible and appropriate, the TCFD's Guidance on Metrics, Targets and Transition Plans, version of 2021. In other words, implementing the TCFD recommendations provides a safe harbor for reporting on climate matters (Art. 2 para. 1 and Art. 3 of the Ordinance).[14]

— If a company chooses not to make disclosures based on the TCFD recommendations, it must clearly demonstrate that it complies in other ways with the climate disclosure obligations, or declare that it does not follow any climate concept and justify this approach (Art. 2 para. 2 of the Ordinance).

Summary of the key points for climate disclosures based on the four pillars of the TCFD Recommendations

— The Ordinance specifies that companies must provide a transition plan that is comparable to Swiss climate targets (Art. 3 para. 3 let. a of the Ordinance).

— Where possible and appropriate, companies must provide quantitative information and details on all assumptions and methodologies used (to ensure comparability), define quantitative CO2 (carbon dioxide) targets and, where necessary, targets for other greenhouse gas (GHG) emissions. They must also disclose all GHG emissions, including all assumptions and methodologies used to measure these emissions (Art. 3 para. 3 and 4 of the Ordinance).

— For financial institutions in particular, disclosure must comprise forward-looking, scenario-based climate compatibility analyses (Art. 3 para. 5 of the Ordinance).

— Companies will need to demonstrate the effectiveness of the measures they have taken in relation to climate issues in an overall qualitative or quantitative assessment (Art. 3 para. 6 of the Ordinance).

— The above information must be published in the report on non-financial matters in accordance with Art. 964*a*–964*c* CO (Art. 4 para. 1 of the Ordinance).

— Finally, the Ordinance specifies that 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. For the requirement for a machine-readable electronic format, a transitional period of one year applies after the Ordinance enters into force (Art. 4 para 2 and Art. 5 of the Ordinance).

12 For the requirement for a machine-readable electronic format, a transitional period of one year applies after the Ordinance enters into force (Art. 5 of the Ordinance).
13 See also Art. 3 para. 1 of the Ordinance.
14 See Explanatory statement on the Ordinance of November 23, 2022 p. 4 et seq., p. 8 on Art. 2.

The concept of double materiality

Two angles from which to assess which issues are material to a financial institution:
Art. 1 para. 2 of the Swiss Ordinance on Climate Disclosures states that climate issues cover both the effects of climate change on companies and the effects of companies' activities on climate change (double materiality). Double materiality in general covers the impact of sustainability issues on the company's performance as well as a company's impacts on people and the environment.

- Financial materiality: This perspective attempts to answer the question of how significantly sustainability-related issues, such as climate risks, affect the company's ability to perform and grow enterprise value. This is often referred to as an outside-in perspective.
- Impact materiality: This perspective attempts to answer the question of how significantly the company's business model, its operations, products and services impact the environment, people and society at large. This is often referred to as an inside-out perspective.

Box 2

Overall, the 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 that are summarized in the table below.

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	-

15 TCFD (2021), Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, p. 8.

Consideration of climate-related risks by financial institutions: The regulatory framework in Switzerland

Swiss financial institutions are expected to consider climate-related risks, i.e. risks due to climate change or its mitigation, in their activities if they are required by law to consider all material risks. This holds whether they are subject to legal disclosure requirements or not.

Swiss Financial Market Supervisory Authority (FINMA)

FINMA also expresses the expectation that financial institutions will manage climate risk effectively. It amended its Circular 2016/01 "Disclosure – banks" and Circular 2016/02 "Disclosure – insurers" to include transparency obligations for climate risks. Category 1 and 2 institutions need to disclose how they manage climate-related risks as part of their annual financial reporting. This includes information around climate risk governance, strategy, risk management and quantitative information (targets and key data). In its Guidance 03/2022 Implementation of climate-related risk disclosures by category 1-2 institutions FINMA takes stock of how its Circulars have been implemented since they came into force in 2021 and in its Guidance 01/2023 Developments with regard to the management of climate risks looks ahead to likely developments in its supervisory practice, stating that it intends to intensify its supervision and expand it to a larger number of institutions.

Self-regulation in the Swiss financial sector

Finally, as a Swiss peculiarity, some elements of self-regulation address the management of climate-related risks in financial institutions. For banks that are member of the Swiss Bankers Association (SBA), two mandatory guidelines govern minimum requirements for integrating sustainability criteria into investment and mortgage advice: The Guidelines for financial service providers on the integration of ESG preferences and ESG risks into investment advice and portfolio management and Guidelines for mortgage providers on the promotion of energy efficiency.

For asset managers, the Asset Management Association Switzerland (AMAS) has issued self-regulation guidelines on transparency and disclosure for sustainability-related collective assets that is binding for its members.

Other recommendations in the Swiss financial sector

Swiss Sustainable Finance (SSF) together with EY published the Practitioners' Guide on the Integration of Sustainability Preferences into the Advisory Process for Private Clients. These non-binding recommendations address financial institutions that advise private clients.

The Swiss Pension Fund Association (ASIP) published non-binding ESG guidance for Swiss pension funds on how to consider ESG criteria in their investment decisions and the recommendations entitled ESG Reporting: Standards for Pension Funds. While the former provides general guidance on how to implement a sustainable investment policy, the objective of the latter is to increase transparency for pension funds on how they implement ESG criteria into their investment process. The ESG reporting standard includes qualitative and quantitative disclosure recommendations.

Box 3

Part II

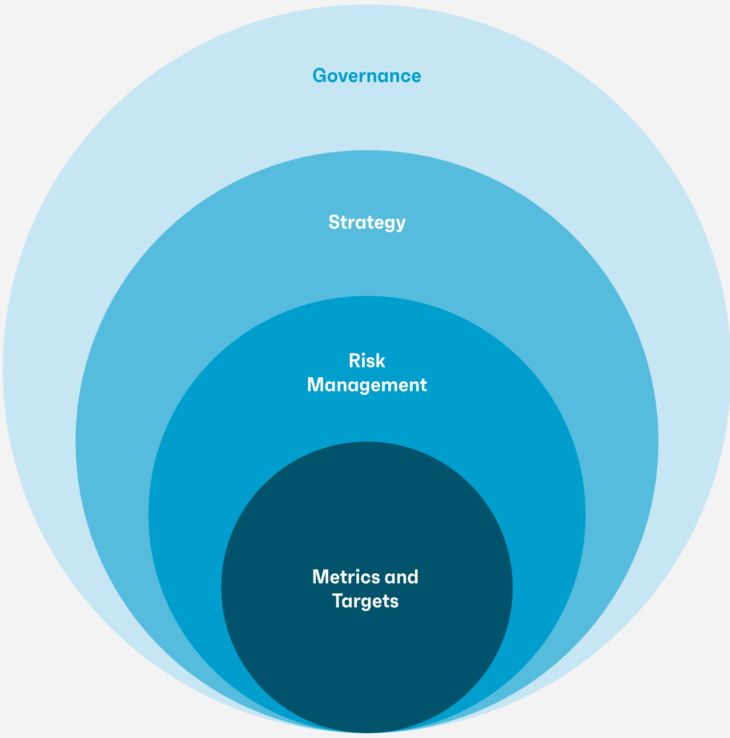
Practical guidance on TCFD reporting for financial institutions in Switzerland

How this guidance is structured: The four pillars of TCFD-aligned reporting

Each chapter of this guidance will deal with one of the four recommended disclosures ("pillars") of the TCFD:

— Governance
— Strategy
— Risk management
— Metrics and targets

Each chapter will lay out what each of the recommendations mean and how they are applicable to financial institutions, give practical tips for implementing and reporting on the recommendation, and provide useful resources and further reading for financial institutions. Additionally, each of the recommendations will be illustrated with a peer example.[16]



16 Note that the implementation suggestions in this publication cover the TCFD recommendations and related guidance comprehensively. Financial institutions can adapt the degree of implementation of processes and structures to their individual level of ambition as long as they align with the regulatory reporting requirements detailed in the CO (see chapter regulatory requirements).

Pillar I
Governance

Governance recommendation

Disclose the organization's governance around climate-related risks and opportunities.

Recommended disclosures:

A Describe the board's oversight of climate-related risks and opportunities.

B Describe management's role in assessing and managing climate-related risks and opportunities.

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

Disclosure on governance should enable the user of the information to judge if effective organizational structures are in place to manage and monitor climate-related risks and seize climate-related opportunities. This mainly covers the responsibilities of boards of directors and senior management. Moreover, reporting companies should demonstrate that internal communication channels are in place to deal with climate issues throughout the organization.

Board of directors' responsibilities
- Oversight function in managing climate risks and opportunities: Mainly when reviewing and guiding strategy, action plans, risk management policies, budgets, or business plans.
- Who is responsible for climate issues? (e.g. board committee/specific board members) and frequency of discussion on climate issues/climate issues as an agenda point.
- How climate-related targets/goals are set and monitored by the board.

Senior management's responsibilities
- Principal responsibility is to make sure that climate risks are assessed and managed proportionally.
- Organizational structure: Who is ultimately responsible for climate issues in the different business lines, in risk and operations? Are there dedicated management positions or management committees set up to monitor climate-related issues?

Internal reporting
- Frequency with which the board of directors and senior managers are informed about climate-related issues in the financial institution.
- Communication channels between senior management and the board.
- Communication channels between the different sustainability functions across the financial institution (horizontally/vertically).

1.2 Practical tips for implementing and reporting on TCFD recommendations on Governance

Implementing processes

- Remember to adjust internal policies and guidelines to codify climate-related responsibilities at the board and senior management level.
- Consider providing climate-specific training to your board of directors and/or disclose their combined knowledge on climate change and its risks.
- Make sure you have effective communication channels in place between senior management, the board and sustainability functions across the firm. For example you can use climate risk dashboards for communicating with your board.
- Financial institutions that are already advanced in setting up climate-related governance processes can consider including climate-related indicators in their remuneration policies to provide incentives for the effective and proportionate management of climate-related risks and opportunities. You can disclose information on how you do this in the governance section.

Disclosures

- Usually, the board of directors and senior management will be responsible for authorizing your climate and/or sustainability reporting.
- Visual aids: You can use an organigram to visualize climate-related responsibilities and reporting channels.
- Metrics: You can disclose which climate-related metrics and key performance indicators (KPIs) the board of directors and senior management use to fulfill their responsibilities (e.g., to monitor climate-related risks or track performance against climate-related targets).

What are your peers doing?

Example disclosure under Governance:

"Our Board of Directors has ultimate responsibility for the strategy and the success of the Group and for delivering sustainable shareholder value. It oversees the overall direction, supervision and control of the Group and its management. It also supervises compliance with applicable laws, rules and regulations. (…)

Our BoD's Corporate Culture and Responsibility Committee (the CCRC) oversees our Group-wide sustainability and impact strategy and key activities across environmental and social topics, including climate, nature and human rights. Annually, it considers and approves our firm's sustainability and impact objectives. (…)

Our Group Executive Board (the GEB) develops the strategy for the Group. (…) Progress against strategy and the associated targets are reviewed at least once a year by the GEB and the CCRC."

Source: UBS (2023), Sustainability Report 2022, pp. 20/21.

1.3 Useful resources

General guidance on implementing the TCFD recommendations

- TCFD (2017), Recommendations of the Task Force on Climate-related Financial Disclosures

- TCFD (2021), Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures (updated guidance)

Further guidance on climate governance

- World Economic Forum (2019), How to Set Up Effective Climate Governance on Corporate Boards

- UNEP FI (2020), Climate Risk Applications: From Disclosure to Action

- UNEP FI (2022), Steering the Ship: Creating Board-Level Climate Dashboards for Banks

- IFC (2019), Corporate Governance Progression Matrix for Financial Institutions Integrating Environmental Social and Governance Issues

Pillar II
Strategy

Strategy recommendation

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

Recommended disclosures:

A Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

B Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

C Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

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

Financial institutions will need a broad perspective to think about climate-related risks and opportunities, since these will mostly manifest in the corresponding risks and opportunities faced by their clients and in their business lines: Financing businesses, advising investors, investing in assets, insuring property, etc. The TCFD distinguishes between physical climate risks (and opportunities) such as changes in extreme weather events or precipitation patterns and transition risks (and opportunities) related to the shift towards a low-emission and climate-resilient economy (see Box 4 on p. 20).

Climate-related risks and opportunities according to the TCFD

Climate change can affect the economy and financial stability through two main channels:

Physical risks

Economic costs and financial losses that result from changes in the severity and frequency of climate-related events. Since climate change has acute (sudden) or chronic (persistent) implications, physical risks are divided into two subcategories:

- Acute physical risks: Extreme weather events such as heatwaves, landslides, floods, wildfires or storms.
- Chronic physical risks: Longer-term gradual shifts of the climate, such as changes in precipitation patterns, extreme weather variability, and average temperatures.

Transition risks

Economic costs and financial losses that result from transitioning to a low-carbon economy. Examples of transition risk drivers include changes in public-sector policies, legislation, and regulation, technological developments, and market and customer sentiment.

Box 4
Source: TCFD (2017), Recommendations of the Task Force on Climate-related Financial Disclosures, p. 5.

Strategy

— As part of your strategy disclosure, you should describe the risks and opportunities your financial institution faces in relevant short, medium and long-term time horizons, and define those time horizons.

— When describing the actual and potential impact of climate-related risks and opportunities on your financial institution's strategy, include commentary on your financial planning and relevant business lines (this could cover retail banking including mortgages, wholesale credit, wealth management, investment strategies and different lines of insurance). It is advised to break down information for specific sectoral or geographical exposures.

Scenario analysis

— Scenario analysis is a useful tool when it comes to assessing future developments that have a high uncertainty attached to them, such as the future paths our climate could take. The TCFD (and the Swiss Ordinance on Climate Disclosures) therefore recommends using scenario analysis to test the resilience of the business strategy under different plausible future circumstances. Scenario analysis can help financial institutions to detect weaknesses and strengths in their strategy and to devise action plans based upon them. This will be dependent on their specific exposure (e.g. portfolio structure).

— The TCFD recommends using at least one scenario in which global temperature rise can be contained below 2°C above pre-industrial levels (a 2°C-or-lower scenario) and additional scenarios, including physical risk scenarios, that are most meaningful for the business activity and regulatory and physical environment of the reporting financial institution. For step-by-step instructions on how to conduct a climate scenario analysis, see Box 5 on p. 21.

Scenario analysis in four steps

Step 1

Define the scope and the design of the analysis: Decide which risks are most material to your financial institution (transition or physical risks) and in which geographies and/or sectors they arise. Define which asset(s), portfolio(s) or sector(s) you want to include in the analysis, and be transparent about what you are leaving out for the time being. Define which time horizon(s) you want to look at.

Step 2

Select scenarios: Based on the above design decisions, choose a set of scenarios for the analysis, whether publicly available or developed in house. Keep in mind the relevance of risks, sectors and geographical areas that are covered by the scenarios. The scenarios should align with your assumptions on climate policies, technological developments (e.g., the scope of carbon capture technologies) and socio-economic parameters.

Step 3

Conduct the analysis and interpret the results: The results of the scenario analysis will have to be translated into financial impacts and broken down to portfolio/asset-level or client-level impacts to become meaningful for your assessment. You can choose a top-down (e.g. stress test) or a bottom-up approach or combine the two. You can develop in-house capacities to conduct this part of the analysis yourself, or task a service provider offering scenario analysis tools with doing it for you.

Step 4

Apply the results to your financial institutions: Make sure you apply your learnings and insights from the scenario analysis to adjust your strategy (e.g. your risk appetite or important policies and guidelines). You might begin to engage with clients or investee companies, develop a transition plan (see next point), or implement a process to monitor existing and emerging risks.

Box 5

Transition planning

- The transition plan forms an important part of your strategic answer to identified material climate-related risks and opportunities. It is also required by the Swiss Ordinance on Climate Disclosures which stipulates that reporting companies must provide a transition plan that is comparable with the Swiss climate targets.
- A transition plan contains the measurable, concrete, time-bound measures your financial firm will take on its transition to a low-carbon economy. These measures should be aimed at your most material exposures. This means your core business activities, but should also address your own operations. Measures can include the following: Stewardship and engagement, including escalation mechanisms; emissions reductions in your own operations and, even more importantly, in the emissions financed by your investment and lending activities; alignment with the Paris Agreement; green financing targets; and the adaptation of internal policies and processes.

2.2 Practical tips for implementing and reporting on TCFD recommendations on Strategy

Implementing processes

- Define an ambition that is in line with your capacities and exposure (material risks and opportunities) and that reflects your vision for the future. Make sure your board of directors and senior managers are supportive of this ambition.
- Consider climate-related risks and opportunities systematically in your financial institution's processes for strategic and financial planning.
- Develop your scenario analysis capabilities. If you are just beginning, start with a qualitative assessment or with a pilot project – a simple stress test – in one of your most material sub-portfolios. Widen the scope of your analysis and refine your methods in the following years. Swiss institutions can voluntarily and free of charge take part in the Paris Agreement Capital Transition Assessment (PACTA) conducted regularly by the Federal Office of the Environment (FOEN) in cooperation with the State Secretariat for International Financial Matters (SIF). The most recent Assessment was conducted in 2022.

Disclosures

- Provide clear distinctions between and definitions of short, medium and long-term time frames that might be determined by factors such as the life span of your portfolios, the time frames you use for internal forecasting and strategic planning, or other considerations. Keep in mind that climate-related risks and opportunities might only become material in time frames that go beyond your usual planning cycle.
- Banks should describe risks and opportunities specific to their business activities, e.g. in their lending activities, and should disclose the extent and/or share of CO_2-intensive assets. These are defined by the TCFD as assets pertaining to energy, transportation, materials and building, and agriculture, food and beverages (with the exclusion of non-relevant sub-industries such as renewables).
- In their roles as asset managers or asset owners, financial institutions should provide information at the product level: For instance, asset owners and asset managers should describe how climate-related risks and opportunities are factored into relevant products or investment strategies or, for asset managers only, how each product or investment might be affected by the transition to a lower-carbon economy (refer to Box 7 for information on quantitative disclosures aligned with the Swiss Climate Scores).
- When disclosing your scenario analysis, be transparent about the scope of your analysis, your assumptions, the data you use, which scenarios you chose and why, and how you are using the insights of your scenario analysis to increase the resilience of your business strategy.
- When disclosing your transition plan, communicate concrete, time-bound and measurable actions that define milestones in your transition plan. Disclose the processes through which your board of directors and senior management regularly monitor and update the transition plan (maybe as part of your strategic planning process). Be transparent about the underlying assumptions and methods for data and key performance indicators related to your transition plan, and the limitations of your plan (i.e. hard-to-abate emissions, negative emissions technology etc.).
- Visual aids: You can structure your disclosures on material risks and opportunities for different time horizons in the form of a table. This format is also suitable for disclosing information on your scenario analysis. Remember to contextualize any quantitative information in your disclosures.
- Metrics: Define and disclose metrics that operationalize your strategy as well as those you use to track performance against your targets, if applicable (key performance indicators). Consider disclosing forward-looking metrics in addition to metrics that capture current and historical exposures.

What are your peers doing?

Example disclosure under Strategy:

"Transition to net zero: Our net zero ambition (align our financed emissions to achieve net zero by 2050 or sooner, be net zero in our operations and supply chain by 2030 or sooner, support our customers in their transition to net zero and a sustainable future and unlock new climate solutions) represents one of our four strategic pillars. At the core of it is an ambition to support our customers on their transition to net zero, so that the greenhouse gas emissions from our portfolio of clients reaches net zero by 2050. We also aim to be net zero in our operations and supply chain by 2030. (…) We have set interim 2030 targets for on-balance sheet financed emissions for eight sectors. (…) In the year ahead we plan to set interim targets for financed emissions across additional sectors and will continue our transformation programme to embed the climate transition into our core business and risk processes. (…) We continue to track our progress against our ambition to provide and facilitate $750bn to $1tn of sustainable finance and investment by 2030, (…)."

Source: HSBC (2023), Annual Report 2022, p. 18.

2.3 Useful resources

Additional guidance documents from the TCFD

- TCFD (2017), Technical Supplement: The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities
- TCFD (2021), Guidance on Metrics, Targets, and Transition Plans

Further information on scenario analysis

- Scenarios developed by the Network for Greening the Financial System NGFS
- Scenarios developed by the Intergovernmental Penal on Climate Change IPCC
- Scenarios developed by the International Energy Agency IEA
- Scenarios developed by the Swiss National Center for Climate Services (Climate Scenarios for Switzerland CH2018)
- Climate Financial Risk Forum (2023), Climate Narrative Tool
- PACTA and FOEN (2022), Aiming higher: Measuring progress on the climate goal alignment & climate actions of Swiss financial institutions: PACTA Climate Test Switzerland 2022
- European Central Bank (2022), ECB report on good practices for climate stress testing
- UNEP FI (2021), UNEP FI's Comprehensive Good Practice Guide to Climate Stress Testing
- UNEP FI (2022), The Climate Risk Tool Landscape: 2022 supplement

Guidance on setting climate-related targets from different sector initiatives and organizations

- Glasgow Financial Alliance for Net-Zero (GFANZ)
- Net-Zero Banking Alliance (NZBA)
- Net-Zero Asset Owner Alliance (NZAOA)
- Net-Zero Asset Manager Alliance
- Net-Zero Insurance Alliance
- Science-based targets initiative (SBTi)

Guidance on how to devise and communicate a credible transition plan

- GFANZ (2022), Financial Institution Net-zero Transition Plans
- TPI (2022), An investor-led framework of pilot indicators to assess banks on the transition to net zero
- CDP (2022), Technical Note: Reporting on Transition Plans
- TPT (2022), Consultation: The Transition Plan Taskforce Disclosure Framework
- IIGCC (2023), Investor Expectations of Corporate Transition Plans: From A to Zero
- Investor Agenda (2023), Investor Climate Action Plans (ICAPs): Expectations Ladder

Pillar III
Risk Management

Risk Management recommendation

Disclose how the organization identifies, assesses, and manages climate-related risks.

Recommended disclosures:

A Describe the organization's processes for identifying and assessing climate-related.

B Describe the organization's processes for managing climate-related risks.

C Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

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

This section of the TCFD-aligned disclosures deals with climate-related risks from a process perspective rather than a strategic perspective. In the financial sector, climate risks are seen as drivers for existing risk categories rather than standalone risks, so the focus on handling them in the day-to-day activities of a financial institution is on integrating them into existing risk management frameworks.

Identification and assessment of climate-related risks

— Transmission channels and risk categories (see box 6 on p. 26): Climate risks act as drivers for traditional financial and non-financial risk types. Describe how climate risks transmit into the risk types you are already managing.

— Assessment of materiality of climate-related risks (including materiality evaluations for different time horizons): Financial institutions should disclose those climate-related risks they have identified as material over different time horizons and explain how materiality is determined in relation to other risks. This includes an explanation of the materiality threshold used.

— Prioritization criteria that cover the unique traits/characteristics of climate-related risks: Consider expanding your risk assessment criteria to include e.g. vulnerability, speed of onset, or persistence in addition to the traditional risk assessment criteria (impact and probability).

Climate change as driver for traditional risk categories

Credit risk
– Credit risk increase driven by higher probability of default (PC) of a borrower
– Risk of increased loss given default (LGD)

Market risk
– Loss in market value due to a (sudden) repricing of climate risks
– Decoupling of established correlations between certain asset classes
– Lower liquidity in certain asset classes

Liquidity risk
– Restriction in accessing stable financing sources in a changed market environment
– Climate risk drivers could cause counterparties to withdraw assets and increase use of credit lines

Operational and reputational risk
– Increase in regulatory and legal risks in relation to climate-sensitive financing and investment
– Negative perception by clients, business partners, shareholders or supervisory bodies

Box 6

Management of climate-related risks
— Make sure to link your identified climate-related risk to appropriate risk management measures (reduce, transfer, accept or decline).
— Use a business-line-specific approach to managing climate-related risks, e.g. exclusions of specific financing activities, adjustment of the financial analysis of an asset, enhanced due diligence, reassessment of collateral, adjustment of terms of a loan/mortgage/insurance contract, awareness-raising and advice for clients, changes in portfolio construction and investment policies, active ownership and stewardship, ESG integration, etc.

Integration into the wider risk management framework
— Refer to the existing risk management framework, risk classification schemes and risk terminology. Distribute clear responsibilities along your risk management model.
— Adaptation of policies and guidelines, e.g. risk appetite statement.

3.2. Practical tips for implementing and reporting on TCFD recommendations on Risk Management

Implementing processes

- Integrate climate risks within your existing risk management framework. Very often this is a three-lines-of-defense model, i.e. climate risk management by the business lines, the risk and compliance function, and the internal audit function. Remember to link your climate risk governance with your highest management body.
- Adjust internal policies and processes to reflect consideration of climate-related risks, e.g. due diligence guidelines, risk inventory, risk appetite statement, materiality assessment, risk assessment criteria, risk monitoring processes, etc.

Disclosures

- Banks should describe their climate-related risks within the traditional banking risk categories (credit risk, market risk, reputational risk, etc.).
- Product-level disclosure: Asset managers should describe how they identify, assess and manage material climate-related risks in each product or investment strategy. Both asset managers and owners should also describe their engagement/stewardship activities with investee companies, if applicable. Asset owners should describe how they consider the positioning of their total portfolio with respect to the transition to a low-carbon economy.
- Visual aids: You can use a heat map to visualize identified climate risks (e.g., categorize as "low", "medium" or "high"). You can use a materiality matrix to display the results of your materiality assessment.
- Metrics: You can disclose metrics that offer insight on what level of climate risk your institution is ready to take, or key risk indicators: CO_2 emissions or intensities, exposure to carbon-intensive assets, green/brown exposure, climate/ESG scores or ratings, climate value-at-risk, metrics to measure alignment with the Paris agreement (such as temperature score/warming potential or percentage of aligned portfolio companies).

What are your peers doing?

Example disclosure under Risk Management:

"Our investment management approach to climate risks: Our overall strategy for managing climate risks is to integrate risk data and insights into our investment management processes. In our public markets investments, this begins with assessing ESG issues based on our ESG Material Issues framework, which identifies the most relevant issues per sector making the connection to key value drivers that may impact the investment thesis across sectors. We have updated our ESG Material Issues framework with a sector-based view of exposures to physical and transition climate risks. (…)

As part of the second line of defence controls performed by Group Risk Control, we integrate climate risk in the risk control and monitoring process of Asset Management portfolios. We have developed a risk control dashboard to identify, assess and monitor climate risks. Among other sustainability risk metrics such as ESG scores and risk ratings, the dashboard allows us to monitor the weighted average carbon intensity of portfolios against their respective benchmarks. Through this dashboard, Risk Control provides internal reporting of sustainability risk exposures for further assessment and escalation."

Source: UBS (2023), Sustainability Report 2022, pp. 55/56.

3.3 Useful resources

Additional guidance documents from the TCFD

- TCFD (2020), Guidance on Risk Management Integration and Disclosure

Resources from international bodies

- Basel Committee on Banking Supervision (2021), Climate-related risk drivers and their transmission channels
- Basel Committee on Banking Supervision (2021), Climate-related financial risks – measurement methodologies
- Basel Committee on Banking Supervision (2022), Principles for the effective management and supervision of climate-related financial risks
- European Banking Authority (2021), EBA Report on Management and Supervision of ESG Risks for Credit Institutions and Investment Firms
- European Central Bank (2020), Guide on climate-related and environmental risks
- European Central Bank (2022), Walking the talk: Results of the 2022 thematic review on climate-related and environmental risks
- Committee of Sponsoring Organizations of the Treadway Commission (2018), Applying enterprise risk management to environmental, social and governance-related risks
- De Nederlandsche Bank (2019), Good practice: Integration of climate-related risk considerations into banks' risk management
- Resources of the UNEP FI's TCFD banking programme

Relevant resources in a Swiss context

- FINMA (2022), Guidance 03/2022: Implementation of climate-related risk disclosures by category 1–2 institutions
- FINMA (2023), Guidance 01/2023: Developments with regard to the management of climate risks

Pillar IV
Metrics and Targets

Metrics and Targets recommendation

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Recommended disclosures:

A Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

B Disclose Scope 1, Scope 2, and if appropriate, Scope 3[17] greenhouse gas (GHG) emissions, and the related risks.

C Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

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

Quantifying data is the most appropriate way to establish comparable and reliable information for judging climate-related targets or comparing industry peers. Metrics establish a tangible link between material risks and opportunities, strategy, and goals. Even if data availability and quality is still evolving, financial institutions should strive to expand quantitative information in their disclosures over time. 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). Depending on the context, climate-related metrics can fulfill more than one of these applications. For example, CO2 emissions can be used to assess transition risk in a portfolio and at the same time to measure your portfolio's impact on climate change. They can also be used as a key performance indicator to pursue a Paris alignment target. For Swiss financial institutions, the Swiss Climate Scores provide a set of indicators that can be used to quantify and disclose climate-related risks, impacts and alignment (see Box 7 on p. 30). Overall, the TCFD notes that disclosures related to the Metrics and Targets recommendations involve an assessment of materiality – only scope 1 and 2 GHG emissions should be disclosed irrespective of the materiality assessment.

17 The Greenhouse Gas Protocol classifies a company's GHG emissions into three "scopes". Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy (mostly heating/cooling). Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. For financial firms, this includes emissions financed by their investment and lending activities. See GHG Protocol (2013), Technical Guidance for Calculating Scope 3 Emissions – Chapter 15: Investments.

Swiss Climate Scores: Measuring alignment with the Paris Agreement

The Swiss Climate Scores were introduced to create transparency about how investments are aligned with the Paris Agreement, i.e. the degree to which they are compatible with the goal of limiting global temperature rise to 1.5°C and achieving net-zero GHG emissions by 2050. They consist of six indicators and can be disclosed at a fund/portfolio level.

Greenhouse gas emissions

Measures all greenhouse gas emissions of invested companies (scopes 1-3), by both intensity and footprint, and compares them to a benchmark.

Exposure to fossil fuel activities

Share of investments in companies that generate more than 5% of their revenues from coal, and share of those that generate more than 5% from other fossil fuels.

Verified commitments to net zero

Share of companies in the portfolio with verified commitments to net zero and credible interim targets.

Management to net zero

Indicates if the investment strategy includes a goal to reduce the GHG emissions of underlying investments through concrete short (1-3 years) and medium-term (5 years) targets and, if so, the annual reduction path and if the commitment is third-party verified.

Credible climate stewardship

Share of companies that are currently under active climate engagement, if any, and further information on the stewardship strategy (share of climate votes supported, membership in climate engagement initiatives, link to stewardship report).

Global warming alignment (optional)

Level of global warming if the portfolio was representative of the global economy, sorted into five categories (below 1.5°C, below 2°C, below 3°C, below 4°C and above 4°C).

Box 7
Source: State Secretariat for International Finance (2022), Swiss Climate Scores.

Metrics to assess climate-related risks and opportunities

— Financial institutions should disclose which metrics they use in their management of climate-related risks and opportunities.[18]

— Financial institutions should think of metrics relevant to their core business activity, i.e. banks should disclose climate-risk metrics related to their credit business, potentially disaggregated by sector or geographical area, while asset managers and owners should disclose risk management metrics for their funds and investment strategies.

18 The TCFD suggests disclosing metrics consistent with seven broadly defined cross-industry, climate-related metric categories: GHG emissions, transition risks, physical risks, climate-related opportunities, capital deployment, internal carbon prices, and remuneration. Source: TCFD (2021), Guidance on metrics, targets and transition plans, pp. 16f.

Metrics to assess climate impact

- The TCFD recommends disclosing scope 1 and 2 emissions independently of the materiality assessment. Disclosure of scope 3 emissions is highly recommended, but dependent on the outcome of the materiality assessment. Note that for financial institutions, scope 3 emissions will almost certainly be material as they comprise the GHG emissions of their clients and investee companies.
- While it is already possible to report on-balance-sheet scope 3 emissions under the Greenhouse Gas Protocol's Technical Guidance for Calculating Scope 3 Emissions related to investments, there are currently efforts underway to also develop accounting methodologies for off-balance-sheet emissions (see PCAF's proposed methodology for accounting for capital markets facilitated emissions).

Metrics to assess portfolio alignment with international climate targets (i.e. the Paris Agreement)

- These metrics are becoming increasingly important since they have a forward-looking element. They can take the form of binary target measurement (% of companies in a portfolio that are "Paris-aligned"), benchmark divergence (divergence of forecast emissions of a portfolio compared to a defined benchmark), implied temperature rise (global temperature rise in °C if the portfolio was representative of global emissions) and a maturity scale (categorization of portfolio companies in groups of different alignment stages).[19]

Targets

- Targets help you to operationalize your strategy. To enable progress towards targets to be tracked, they should be quantified with key performance indicators.
- Targets should be subject to a governance process involving authorization and regular monitoring by the board of directors and senior management.
- Long-term targets should be broken down into interim milestones to ensure credibility.

4.2 Practical tips for implementing and reporting on TCFD recommendations on Metrics and Targets

Implementing processes

- ✓ Choose metrics and targets that are in line with your strategy and ambition. Acquaint yourself with the relevant (dis)advantages of available metrics.
- ✓ Ensure the support of your board of directors and senior management for setting and monitoring climate-related targets, especially if you are considering joining a net zero alliance or setting science-based targets. Targets should be reviewed regularly and reported annually.

Disclosures

- ✓ When disclosing metrics: Be transparent about scope, methods, assumptions, data sources and data quality of the metrics you disclose. Provide historical data to enable trend analysis, where relevant. GHG emissions should be calculated using the methodology provided by the Greenhouse Gas Protocol and the Global GHG Accounting and Reporting Standard for the Financial Industry (PCAF standard) or a comparable methodology.
- ✓ When disclosing targets: Complete targets should contain a clearly stated baseline, end date, and interim targets. Targets should be in line with sectoral standards and metrics. Be sure to indicate if a target is absolute or intensity-based. Connect targets with key performance indicators.
- ✓ Both metrics and (quantified) targets should be contextualized to avoid misinterpretation.
- ✓ Visual aids: Very often, metrics used by financial institutions, and/or targets, are summarized in a table format.

19 GFANZ (2022), Measuring Portfolio Alignment: Driving Enhancement, Convergence, and Adoption.

What are your peers doing?

Example disclosure under Metrics and Targets:

"Financed emissions and exposure to carbon related assets: The key metrics used to assess transition risk in the bank's portfolios are carbon intensity and financed emissions. The bank estimates and monitors financed emissions using the standard from the Partnership for Carbon Accounting Financials and in line with the recommendations of the Task Force on Climate-related Financial Disclosures (see their Guidance on Metrics, Targets, and Transition Plans). The analysis is based on disclosed Scope 1 and 2 emissions of Deutsche Bank's clients, for which the bank often relies on third-party providers, and on sectoral average emission factors where client data are not available. This emissions data is mapped to the bank's loan exposure / commitments and clients' enterprise values to estimate financed emissions and carbon intensity at client and portfolio level. For selected mortgage and commercial real estate portfolios, emissions are estimated using proxies based on Energy Performance Certificate ratings and internal methodologies. (...)

Net zero targets: In October 2022 Deutsche Bank published quantitative 2030 (interim) and 2050 (final) decarbonization targets for four carbon intensive sectors. Deutsche Bank uses the Net Zero Emissions by 2050 scenario of the International Energy Agency as a basis for target setting, with methodologies largely based on that of the Paris Agreement Capital Transition Assessment."

Source: Deutsche Bank (2023), Non-Financial Report 2022, pp. 45-47.

4.3 Useful resources

Additional guidance documents from the TCFD

- TCFD (2021), Guidance on Metrics, Targets, and Transition Plans
- Portfolio Alignment Team (2021), Measuring Portfolio Alignment

Methodologies for calculating GHG emissions

- Greenhouse Gas Protocol
- Partnership for Carbon Accounting Financials: The Standard
- SSF Reporting Recommendations on Portfolio ESG Transparency

Templates for disclosures

- IIF (2021), TCFD Guidance Template: A Voluntary, Open-Source Toolkit
- AMAS and SSF (2022), Template for the Swiss Climate Scores
- XBRL in der Schweiz

Relevant data repositories

- Climate Data Steering Committee, The Net-Zero Data Public Utility (yet to be released)
- Bundesamt für Umwelt, Interaktiver CO2-Rechner (Gebäude)
- Bundesamt für Umwelt, Gefahrenkarten
- PCAF, European building emission factor database
- Swiss Re, CatNet®

List of abbreviations

AMAS	Asset Management Association Switzerland
ASIP	Swiss Pension Fund Association
CHF	Swiss franc
CO	Code of Obligations
CO_2	Carbon dioxide
CSRD	Corporate Sustainability Reporting Directive
ESG	Environmental, social and governance
ESRS	European Sustainability Reporting Standards
EU	European Union
FINMA	Swiss Financial Market Supervisory Authority
FOEN	Federal Office for the Environment
FSB	Financial Stability Board
GHG	Greenhouse gas
ISSB	International Sustainability Standards Board
IFRS	International Financial Reporting Standards
KPI	Key performance indicator
OECD	Organisation for Economic Co-operation and Development
PACTA	Paris Agreement Capital Transition Assessment
PCAF	Partnership for Carbon Accounting Financials
SSF	Swiss Sustainable Finance
SBA	Swiss Bankers Association
SIF	State Secretariat for International Finance
TCFD	Task Force on Climate-related Financial Disclosures

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The mission of **Swiss Sustainable Finance (SSF)** is to strengthen Switzerland's position as a leading voice and actor in sustainable finance, thereby contributing to a sustainable and prosperous economy. The association, founded in 2014, has representative offices in Zurich, Geneva and Lugano. Currently, SSF unites over 240 members and network partners from financial service providers, investors, universities and business schools, public-sector entities and other interested organisations.

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