About the study

The study aims to provide an overview of sustainability reporting at leading Swiss companies today, while also offering the perspective of an international comparison (see section 03). Section 05 also summarizes the outlook for significant international developments.

For analytical purposes, the market was split up into two segments:

(I) The 110 largest Swiss companies, banks and insurers (see section 03.1), and

(II) The 50 companies included in the Swiss Market Index Expanded (see section 03.2).

For each segment, we looked at the number of sustainability reports, what form reporting took, whether the guidelines of the Global Reporting Initiative (GRI) were applied and whether companies had sought external assurance (see section 02).

The analysis incorporated the companies’ most recent annual reports and sustainability reports (available as of May 2012).
About the study

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Sustainability performance is often addressed in the annual report

Around two thirds of the sustainability reports examined were fully or partially included in the annual report.

GRI guidelines are the most widely used standard

Around 70% of reporting companies apply the guidelines issued by the Global Reporting Initiative (GRI).

Switzerland is in line with European average

In terms of the number companies that report on sustainability, Switzerland occupies a mid-range position in Europe.
Over half of Swiss companies report on their sustainability performance

51% of Switzerland’s largest companies and 70% of the SMI Expanded companies report on sustainability.
02 Introduction and definitions
Numerous Swiss companies have already recognized the need to incorporate sustainability aspects into their business activities. Accordingly, an increasing number of companies are reporting not only on their financial performance, but also on their social and environmental impact. As part of the reporting process, they also communicate details of their progress in this area. This study examines the level of detail in Swiss companies’ reports and explores how they compare internationally.

To facilitate interpretation of this study, this section briefly defines the relevant terms “sustainability” (02.1), “sustainability reporting” (02.2), “Global Reporting Initiative” (02.3) and “external assurance“ (2.4).

Section 03 then looks at the results of the study in detail, including in the context of an international comparison. The study is rounded off by summarizing the key findings and drawing conclusions in section 04, before offering a brief outlook on current international developments in section 05.

02.1 Sustainability

The most frequently used definition of sustainable development is based on the description included in the Brundtland report, i.e., development that meets the needs of the present without compromising the ability of future generations to meet their own needs.¹ Although there are many possible definitions, “sustainability” in a business context is generally considered to consist of three aspects that need to be considered in equal measure:

- Economic sustainability, which demands economic action geared towards long-term prosperity.
- Environmental sustainability, which is concerned with preserving the natural world, the environment and the planet’s resources.
- Social sustainability, which is about community participation and distributive justice.

In a business context, the term “Corporate Social Responsibility” (CSR) is also often heard. There is a great deal of overlap between “sustainability” and “Corporate Social Responsibility” and they are usually used synonymously. As a result, the titles of the published reports can vary even though they all cover the same points. “Sustainability reporting” is used as a general term throughout the rest of this study.


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02 Introduction and definitions

02.2 Sustainability reporting

Organizations use sustainability reporting to present their performance in this area. After determining what progress has been made with regard to sustainable development goals, they have to communicate the conclusions to internal and external stakeholders. Reports cover the organization’s economic, environmental and social impacts. A sustainability report should provide a balanced and reasonable representation of the sustainability performance of a reporting organization – including both positive and negative contributions. Organizations need to be aware that the different stakeholders often have different expectations from sustainability reports:

- Management is keen to improve sustainability performance and reporting quality as a way to avoid risks and enhance reputation
- Investors need assurance that their investees address sustainability risks appropriately
- Companies require information about their suppliers’ sustainability impact
- Consumers are increasingly considering sustainability aspects when making purchasing decisions
- As a result of public pressure, governments are making companies accountable for the direct and indirect cost of their business operations (e.g., cost to the environment)
- Employees want to work for a responsible company
- Environmental groups, human rights organizations and the media are increasingly questioning the impact of corporate activities and are asking for details

This study uses the term “sustainability report” to refer to two different types of report. The category “comprehensive sustainability reports” includes those that are based on the GRI guidelines or that incorporate around 10 relevant KPIs (in line with GRI) to offer an integrated view of the organization’s sustainability performance. This category can also include reports that are published every two years. The category “basic sustainability reports” encompasses publications that contain some sustainability indicators (around 5 KPIs in line with GRI) and/or the development of sustainability initiatives and targets over time. Not included in this category are individual sustainability chapters in the annual report that do not mention KPIs or details of specific developments over time, as well as information provided on a company’s website that is not referenced in the annual report.

The study also examines what form reporting takes. Three categories were defined – “basic sustainability report included in the annual report”, “comprehensive sustainability report included in the annual report” and “separate sustainability report”.

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02.3 Global Reporting Initiative

The Global Reporting Initiative (GRI) is built around a multi-stakeholder network. The organization developed the Sustainability Reporting Framework, which is the most widely used guidance of its kind around the world. The framework defines principles to determine the content of the report as well as information on a company’s high-level, strategic understanding of sustainability. These are complemented by disclosures on management approach and performance indicators. The GRI Reporting Framework also contains Indicator Protocols for the economic, environmental and social aspects as well as product responsibility, labor practices and human rights; Sector Supplements provide additional industry-specific guidance. All of the elements are considered to be of equal weight and importance. The application levels C, B and A indicate the extent to which the GRI Reporting Framework has been used to prepare the report. The main differences between the levels are the number of indicators used and the scope of disclosures on organizational strategy/profile and management approach. Level C means that the minimum GRI requirements are met, while level A represents compliance with the maximum requirements. A plus (“+”) is available at each level if external assurance was sought to verify the report.3

This study therefore investigates whether the sustainability reports were based on the GRI guidelines and, if so, which application level was used.

02.4 External assurance

External assurance by an independent third party gives the reader confidence that the data and information is correct and that the report provides a reasonable and balanced presentation of sustainability performance. Organizations are free to choose the scope and depth of the assurance engagement, however, Assurance reports must always disclose the scope and basis of the engagement. Applying internationally recognized standards, such as the International Standard on Assurance Engagements (ISAE) 30004 or the AccountAbility 1000 Assurance Standard (AA1000AS)5, safeguards the quality of the assurance engagement. External assurance offers the reporting organization a number of benefits, including:

- Greater transparency and credibility with stakeholders, which in turn improves internal and external acceptance of the organization’s adherence to principles of responsible conduct
- Reduced risk that presentations will fail to meet stakeholders’ needs and/or that the report will contain incorrect or irrelevant information
- Constructive feedback in connection with the assurance engagement, which boosts the quality of information and helps pinpoint potential improvements as a way to enhance good business practice and strategy
- Processes optimization and efficiency gains thanks to reliable data, which supports targeted sustainability investments and activities

For the purposes of this study, reports were only classified as having received external assurance if they had been verified using generally accepted assurance standards or other good practice guidelines.

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The results of the study are explained in this section. Two segments were examined separately to improve comparability. The first segment contains the 100 largest companies, the five largest banks, and the five largest insurers headquartered in Switzerland. The second group comprises the 50 SMI Expanded companies. For each segment an analysis was carried out to determine the number of sustainability reports, the format, the GRI application level and use of external assurance.

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6 The 100 largest Swiss companies, headquartered in Switzerland, according to Handelszeitung “Die grössten Industrie-, Handels- und Dienstleistungsunternehmen in der Schweiz 2011” [the largest industrial, trade and service companies in Switzerland in 2011]. The survey did not consider reports of subsidiaries controlled by a parent in Switzerland or abroad as they could potentially be included in the parent’s reporting scope.

7 The five largest Swiss banks, headquartered in Switzerland, according to Handelszeitung “Die grössten Banken in der Schweiz 2011” [the largest banks in Switzerland in 2011]. The survey did not consider reports of subsidiaries controlled by a parent in Switzerland or abroad as they could potentially be included in the parent’s reporting scope.

8 The five largest Swiss insurers, headquartered in Switzerland, according to Handelszeitung “Die grössten Versicherungsgesellschaften in der Schweiz 2011” [the largest insurers in Switzerland in 2011]. The survey did not consider reports of subsidiaries controlled by a parent in Switzerland or abroad as they could potentially be included in the parent’s reporting scope.

Half of Switzerland’s 110 largest companies, banks and insurers prepare a sustainability report.

All the basic sustainability reports were included as part of an annual report in 2011 (16%). A further 50% of companies (28 reports) used their annual report as a platform for the comprehensive sustainability report. Of those, three reports integrated sustainability aspects into various sections of the annual report. In a third of cases, organizations published stand-alone sustainability reports for 2010 and 2011.

Of the 56 reports for 2011, 39 were prepared in accordance with the GRI guidelines. That represents 70% of the total, compared to 67% in the prior year. Highlights with regard to application level in 2011 were as follows:

- Three companies (5%) adopted the GRI Reporting Framework for reporting purposes, although they did not implement all of the requirements.
- Two (4%) of the companies stated that they had used the 2011 framework, but did not provide details of the application level.
- Eight reports (14%) achieved application level C/C+.
- Eleven reports (20%) met the requirements for application level B/B+ (20%).
- 15 reports (27%) fulfilled the criteria for the highest application level A/A+; particularly noteworthy among this group was the high level of external assurance (12 reports, 80%).

There was a year-on-year increase in reports with A/A+, B/B+ or C/C+ status, while the number of reports not disclosing an application level at all halved, from four reports in 2010 to two reports in 2011.
Results of the study

The percentage of reports with external assurance crept up from 31% (15 reports) in the prior year to 36% (20 reports) in 2011. In terms of absolute number, this is an increase of 33%.

European countries leading the international field
Companies around the world are catching on to the value of sustainability reporting. 95% of the world’s largest companies (G250) prepared sustainability reports for 2010, as did 64% of the top 100 companies by turnover from 34 countries (N100). Europe has been something of a pioneer in sustainability reporting in the last 20 years. Around half of all sustainability reports published by N100 companies in 2010 relate to European companies, with the UK leading the pack at 100%, closely followed by France with 94% and Denmark with 91%. The high number in these countries is buoyed by local regulatory requirements on sustainability reporting. As set out above, 51% of Switzerland’s largest companies, banks, and insurers reported on their sustainability performance in 2011. Switzerland fares reasonably well in an international comparison, exhibiting average reporting rates.

03.2 SMI Expanded companies
35 of the 50 SMI Expanded companies prepared sustainability reports for 2011 - that is a year-on-year increase of around 6% to just under three quarters of companies (70% compared to 64% in the prior year).

70% of SMI Expanded companies prepared a sustainability report, with 46% opting for external assurance

All basic sustainability reports were incorporated into annual reports. Furthermore, around half of the comprehensive sustainability reports were included within the annual report (47% for 2010 compared to 52% for 2011). In one case, a 2011 report treated financial and non-financial matters together. Around a third of companies in this study segment published stand-alone sustainability reports in both of the years examined.

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21 of the 35 reports issued for 2011 (69%) were prepared in accordance with the GRI guidelines and disclose the application level. The study revealed the following additional points with regard to GRI requirements:

- The number of companies using GRI requirements as a basis for sustainability reporting rose from two (6%) to three (9%).
- In contrast to 2010 (one report), there were no reports in 2011 that did not disclose the application level.
- Two companies met the criteria for application level C/C+.
- Eight reports qualified for application level B/B+.
- Eleven reports (27%) satisfied the requirements for application level A/A+, with almost all of such reports subject to external assurance (10 of 11 reports).

Compared to 2010, the number of A/A+ and B/B+ reports climbed from 28% to 31% and 19% to 23%, respectively, while the level remained stable for C/C+ (two reports).

16 companies (46%) gained external assurance for their 2011 reports, a significant rise compared to the 2010 level (34%).

Sustainability reporting is widely adopted by listed companies around the world. 69% of the listed N100 companies reported on their sustainability performance in 2010. Regulations on certain stock exchanges contribute to this figure. For instance, integrated reporting (see section 05 for more details) is one of the listing requirements of the Johannesburg Stock Exchange. Switzerland matches up to the international average, with 70% of listed companies reporting on sustainability.

![Figure 7](image1.png)  
**Figure 7 | Application of GRI Framework**  
- GRI Framework not applied
- Based on GRI Framework
- In accordance with GRI without disclosure of application level
- Application level C/C+
- Application level B/B+
- Application level A/A+

![Figure 8](image2.png)  
**Figure 8 | External assurance**  
- No external assurance
- External assurance

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04 Conclusions
The number of reporting companies is clearly on the rise in Switzerland, as is the scope of sustainability reporting.

**Over half of Switzerland’s largest companies report on their sustainability performance**
More than half of Switzerland’s largest companies, banks and insurers reported on their sustainability performance in 2011. Compared to the prior year, sustainability reporting was seen to grow in both of the segments examined in this study. Listed companies are most likely to disclose non-financial information (70%). Half of the reporting companies analyzed for the study included sustainability information on their annual reports. When comparing the culture of sustainability reporting around the world, Switzerland occupies a medium position. Legal requirements in some other European countries have pushed up local reporting rates.

**GRI in widespread use in all segments**
The GRI Reporting Framework is widely used in Switzerland for sustainability reporting. There are marginal differences in the rate of application depending on segment and year (between 69% and 70%). 27% of Switzerland’s largest companies and 31% of the listed companies met the criteria of application level A/A+ for their 2011 reports. The popularity of the GRI guidelines is spreading not only in Switzerland but around the world.

**Listed companies are more likely to seek external assurance**
46% of the listed companies engaged third parties to perform external assurance services. The rate of external assurance came to 36% for the largest companies, banks and insurers.
The study reveals an increase in the number of reporting companies and the volume of reporting according to GRI guidelines. This development is set to continue over the coming years in line with the international trend towards enhanced disclosure. With various stakeholders calling for transparency, companies will increasingly have their reports verified externally. The GRI Reporting Framework is the most widely used set of guidelines on sustainability reporting and is well established in Switzerland and internationally. The next generation of the publication, G4, is planned for 2013. Key aims include making the guidelines more user-friendly, addressing the different stakeholders and harmonizing with other standards, as well as facilitating efforts to link sustainability and financial reporting. The process of preparing and verifying integrated reports is also to be simplified under the amendments.

Voices in favor of integrated sustainability are becoming increasingly loud. For instance, high-profile investor groups such as Eurosif (European Sustainable Investment Forum) or the FEE (Federation of European Accountants) are demanding better integration of sustainability information in annual reports. The International Integrated Reporting Committee (IIRC, a joint initiative of GRI and the Prince of Wales's Accounting for Sustainability Project) is developing international guidance on integrated reporting. A pilot program is currently underway in which selected organizations are gathering valuable initial experience of integrated reporting. A first draft of the reporting standard is scheduled for the end of 2012. Integrated reporting combines financial and non-financial information as a way of better presenting and communicating the connection between sustainability and economic value. The publication of the G4 guidelines and efforts by the IIRC will underpin the growing trend towards integrated reporting that is expected over the next few years.

Various international developments suggest that integrated reporting of financial and non-financial data will continue to gain in importance.
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