Deloitte.

Navigating the Swiss sustainability reporting landscape

A market study on non-financial information disclosed by SMI Expanded companies

May 2025

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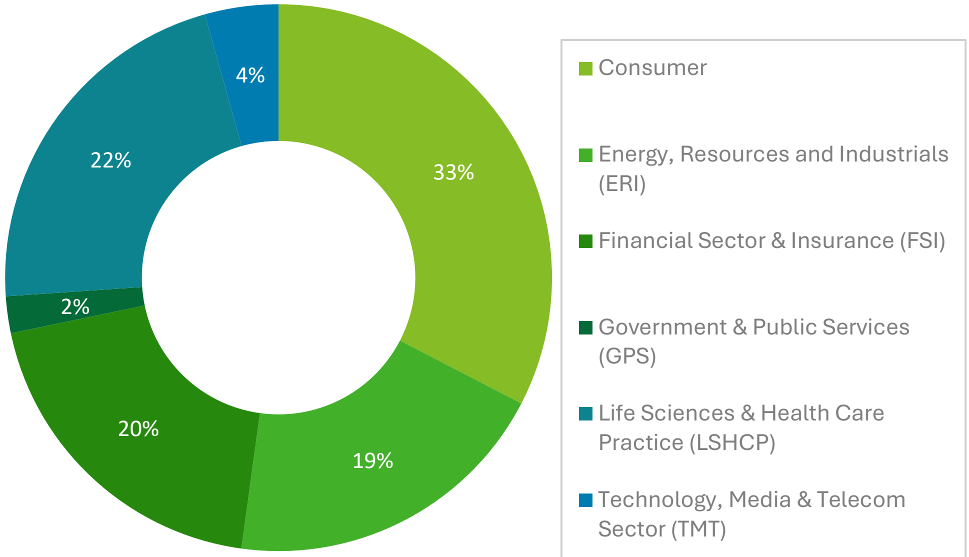
Introduction and key observations

Scope and objective of the study

What is the purpose of the study and which companies have we analysed?

Swiss sustainability report benchmark overview

The benchmark focuses on **companies within the Swiss Market Index (SMI) Expanded** that have published their sustainability statements for the 2024 financial year. The SMI Expanded comprises 50 companies, with 46 having released their report as of April 2025.



The Swiss market is experiencing significant changes in sustainability reporting, driven by evolving Swiss and EU reporting regulations and increased stakeholder expectations. The **Corporate Sustainability Reporting Directive** (CSRD) and the **European Sustainability Reporting Standards** (ESRS) are set to enhance the content, granularity, and format of ESG reports, allowing for greater comparability. However, Swiss companies currently face the decision of whether to fully adopt the ESRS, or to report independently of these standards, particularity in light of the recent Omnibus discussions. This study aims to:

- Provide a comprehensive overview of the current market situation and trends in sustainability reporting for SMI Expanded firms;
- Analyse the impact of the CSRD on SMI Expanded companies and understand the practices these companies are adopting;
- Offer insight into trends in (double) materiality assessments and Impacts, Risks and Opportunities (IROs) evaluations, including common material topics, decarbonisation targets and transition planning;
- Conduct an in-depth analysis of GHG emissions, decarbonisation targets and actions for selected sectors, presented as case studies.

The study assesses the level of unified **interpretation of the requirements** and the **progress in sustainability reporting** by key firms operating in the Swiss market.

Strategic insights for Board Members and Management

Questions to consider while reviewing our analysis

Non-financial disclosures

Have you transitioned to the **CSRD** framework? If not, have you begun adopting the **interoperability indexes** published by EFRAG?

Have you adopted the **double materiality methodology**, or is your company currently disclosing on **impact materiality?**

Risk management

When identifying IROs, **is your risk management fully aligned and involved** in the process? Are the severity (specifically, scale, scope, and irremediable character), magnitude, and likelihood of occurrence fully, partially or not consistent with your **Enterprise Risk Management (ERM) framework**?

Do you have a **risk assessment system** specifically designed to identify risks and opportunities related to **social and governance issues, as well as environmental issues other than climate change**?

Financials

Is there a **detailed action plan, including cost and CAPEX breakdown,** for the sustainability targets and commitments outlined in the report?

Do you have a **financial plan in place** to achieve your **transition plan and climate-related targets?**

Governance

Have **roles and responsibilities** for Environmental, Social, and Governance (ESG) topics been assigned at the Group level and across all relevant subsidiaries? How do you assess whether they **possess the appropriate skillsets** for their roles?

How do you ensure your employees receive **continuous training** to address **emerging issues** and the **latest regulatory updates** in the sustainability domain?

Summary of key observations (1 of 3)

Despite widespread CSRD DMA adoption, comparability of disclosed information remains challenging across firms.

Key insights

Double materiality assessment (DMA)

Most Swiss companies have adopted the **CSRD** and **EFRAG methodology for DMA**. However, the selected material topics are **inconsistent** with the list of potentially material topics and sub-topics outlined in ESRS 1, and the approach varies significantly. This inconsistency makes it **challenging** for investors and other stakeholders **to compare DMA results**, even among companies within the same industry.

Value chain mapping and stakeholders' engagement

The **Consumer industry** and the **Life Sciences and Health Care (LSHCP)** sector appear to be the most advanced in value chain mapping, providing detailed mapping and insights that other sectors could benefit from. However, most companies provide only **general disclosures** about their value chain and lack a detailed overview of their approach to defining actors across their upstream and downstream value chain.

What does it mean for future reports?

Enhancement of material topic mapping

- ✓ Firms can enhance their reporting by adopting the **EFRAG Interoperability Index,** which facilitates a detailed and systematic approach to identifying and categorising key areas of concern, ensuring that all relevant aspects are thoroughly addressed.
- ✓ Companies may need to **revise their disclosure methodologies for DMA-related information**. Rather than **solely relying on qualitative disclosures**, firms should consider **incorporating a visual representation format** (e.g., matrix). This approach allows for a more structured and quantifiable representation of data.

Data integration and periodic collection

- ✓ Firms must integrate data from various sources into a **unified system** to achieve a holistic view of their value chain. This approach enables comprehensive insights into their operations and upstream and downstream players.
- ✓ To ensure the effectiveness of this unified system, firms should **gather data from all stages** of their value chains.
- ✓ Additionally, data collection should be carried out on a **periodic basis** to maintain the relevance and accuracy of the information. **Regular updates allow firms to monitor changes effecitvely.**

Summary of key observations (2 of 3)

While climate-related risks and opportunities are well-documented, firms lag in disclosing social, governance, and nature-related opportunities, as well as integrating IROs into their ERM.

Key insights

Disclosure of nature-related risks and opportunities

Most companies have adopted the Task Force on Climate-related Financial Disclosures (TCFD) for climate-related disclosures, benefiting from board oversight and advanced controls for Scope 1, 2, and 3 emissions. However, **only one-fifth of companies are disclosing or planning to disclose under the Taskforce on Nature-related Financial Disclosures (TNFD) framework**, indicating a lower maturity in reporting nature-related impacts.

Material opportunities and integration of IROs into ERM

Companies are already disclosing **material impacts, risks and opportunities** related to climate change in accordance with **Article 964** and the **TCFD framework.** However, only a limited number of firms disclose **material opportunities beyond climate change topics**. Additionally, **fewer than half of the companies** have **fully integrated IRO evaluation into their ERM framework.** Among those who have not yet done so, only 21% have revealed plans to incorporate IRO evaluation in the future.

What does it mean for future reports?

Advancing TNFD reporting

- ✓ Firms need to enhance their efforts in **integrating TNFD reporting** to comprehensively address their dependencies and impacts on nature, thereby achieving a more holistic approach to sustainability.
- ✓ To effectively implement TNFD reporting, **firms require specialised knowledge in biodiversity and nature-related topics.** This expertise can be sourced either **in-house or through third-party consultants.**

Gap analysis for identifying material opportunities

- ✓ A comprehensive evaluation of opportunities can be achieved by conducting thorough **gap analyses** to identify areas where environmental, social, and governance (ESG) performances fall short of the firm's goals or industry benchmarks.
- ✓ Firms must identify **ESG risks** across operational, business, and liquidity categories, and perform **quantitative assessments** of their estimated impacts.
- ✓ Methodologies used to estimate impacts on traditional risk types should be consistent with the existing **ERM frameworks**. Overlooking these ESG risks can significantly **affect operations, cause business disruptions and result in reputational damage**.

Summary of key observations (3 of 3)

Disclosure of required financial resources for transition plans and value chain emissions tracking is often vague or absent, increasing the risk of greenwashing.

Key insights

Tracking of value chain emissions performance

Tracking suppliers' progress with science-based targets is becoming common. However, **companies have yet to disclose how they monitor their suppliers' performance against these targets**. **Decarbonisation levers are comparable across industries**, with most companies planning to electrify their vehicle fleets and adopt renewable electricity.

OpEx and CapEx associated with transition plans

Only a few Swiss companies disclose the financial resources allocated to transition plan actions. This lack of transparency not only hinders their ability to measure and communicate progress to investors but also poses a **risk to achieving long-term targets. Without effectively forecasting the economic investments and resources needed to fulfil their climate plans, these companies may fail to meet their disclosed objectives**.

What does it mean for future reports?

Supplier compliance with SBTi targets: Systematic reviews, training and KPIs

- ✓ Conducting **systematic reviews and audits** of suppliers' progress reports ensures the accuracy and reliability of disclosed data by external parties.
- ✓ Providing **trainings and workshops** to selected key suppliers on SBTi requirements and best practices for achieving the targets would increase overall awareness of those topics.
- ✓ Firms could establish a **set of KPIs** to measure suppliers' performance over time.

EU Taxonomy alignment and disclosure of financial resources allocated

- ✓ Aligning with the **EU Taxonomy** will enable firms to present their **financial resources invested in transition planning** in a comparable and standardised manner. This alignment will not only enhance the credibility of their sustainability efforts but also facilitate better communication with investors, stakeholders, and regulatory bodies.
- ✓ Moreover, **comprehensive disclosure of those resources** is essential to prevent greenwashing and maintain the integrity of sustainability statements, while ensuring that the information provided is comparable and not misleading to readers.

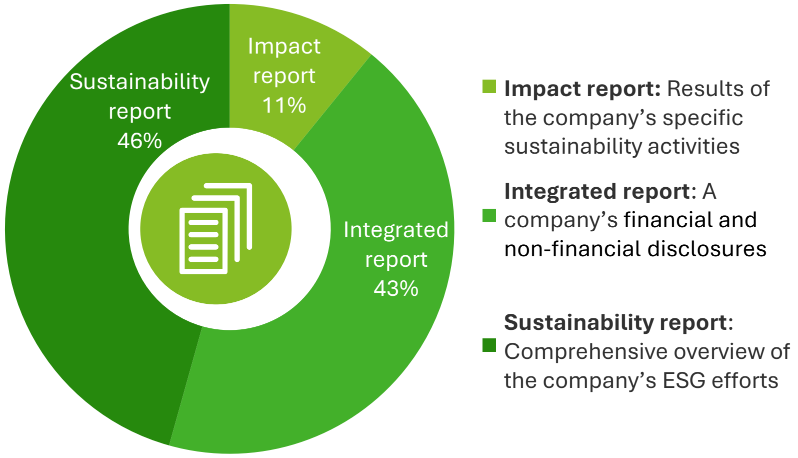
Sustainability reporting

Swiss market overview

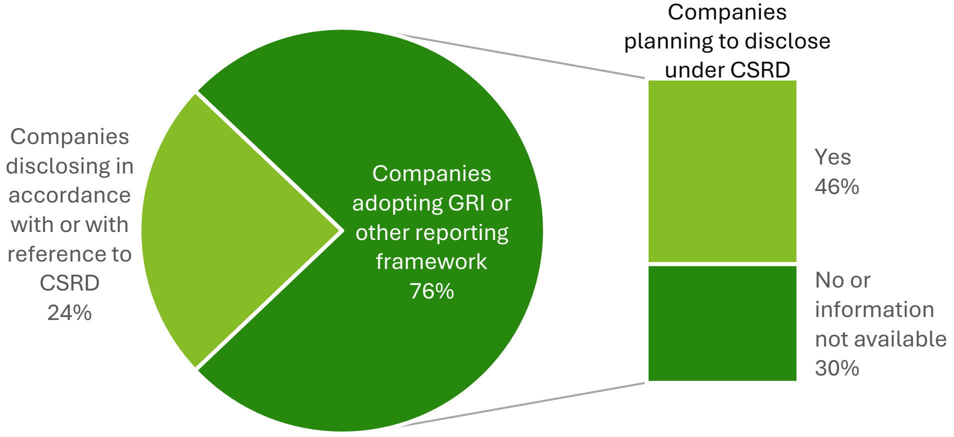
Overview of the main reporting frameworks adopted

Most companies will adopt the European Sustainability Reporting Standards (ESRS) for their future reports.

Publication format



Does the company report or plan on reporting under CSRD?



93 average number of pages for sustainability disclosures in integrated reports, out of a total average of 242 pages.

105 average number of pages for sustainability reports.

86 average number of pages for impact reports.

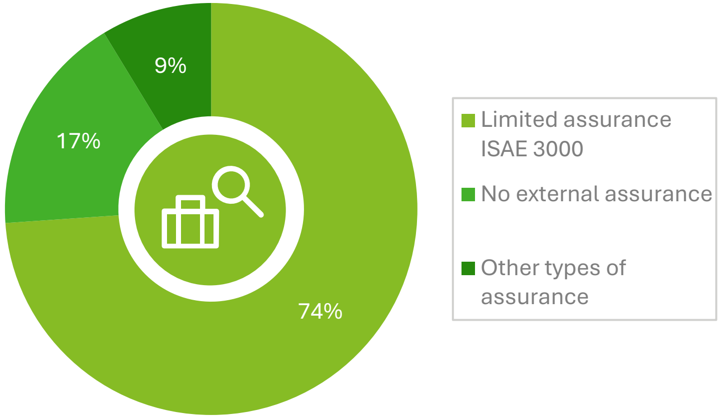
Although most Swiss companies are not directly subject to EU regulations, the interconnected nature of international markets and supply chains necessitates that they consider the new CSRD. Notably, Swiss firms with listed subsidiaries within the EU **have already started transitioning to CSRD**. Moreover, Switzerland is discussing closer alignment with European sustainability reporting requirements, as indicated by the Swiss Federal Council.

Our analysis revealed that most **SMI Expanded companies (76%)** continue to report under the Global Reporting Initiative (GRI) standards. Additionally, a significant portion of firms included in the benchmarking (**46%**) that report under the GRI standard have disclosed their intentions to adopt the ESRS in the future. Currently, the **chapter structure, granularity of disclosures and format of information** disclosed vary widely from company to company, making it difficult to perform comparisons even for firms operating in the same industry.

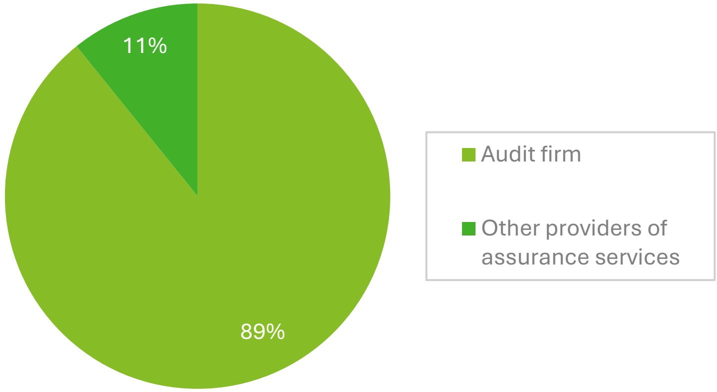
Level of assurance received by SMI Expanded reports

83% of SMI Expanded companies have obtained assurance for their non-financial disclosures for FY 2024.

Level of assurance of reports



Type of assurance practitioners



74%
of companies received voluntary assurance on their non-financial disclosures.

All companies disclosing in accordance with the ESRS received unqualified opinions.

The CSRD mandates companies to obtain independent assurance for their non-financial disclosures.

However, in other European countries, such as **Germany***, certain firms have already opted for reasonable assurance over a selected number of ESG KPIs.

Among the companies that received assurance on their ESG reports, all engagements were **limited assurance** and mostly followed **ISAE 3000** standards. Many companies only received assurance on a selected number of ESG KPIs.

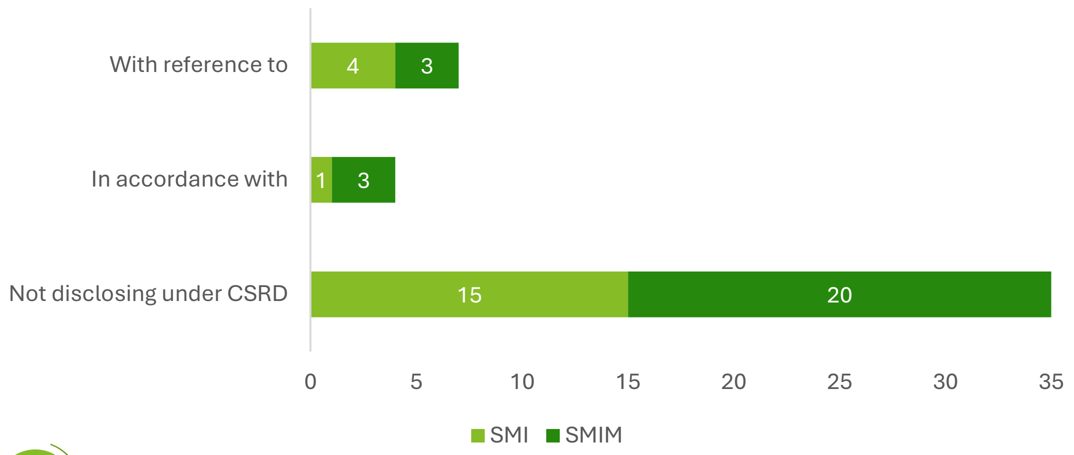
Of the four reports disclosed in accordance with the ESRS, none of their assurance engagements resulted in a qualified or adverse opinion.

****Source**: Deloitte, DRSC, Sustainability Reporting Practice under CSRD/ESRS: an Analysis of listed Companies for FY2024, April 2025*

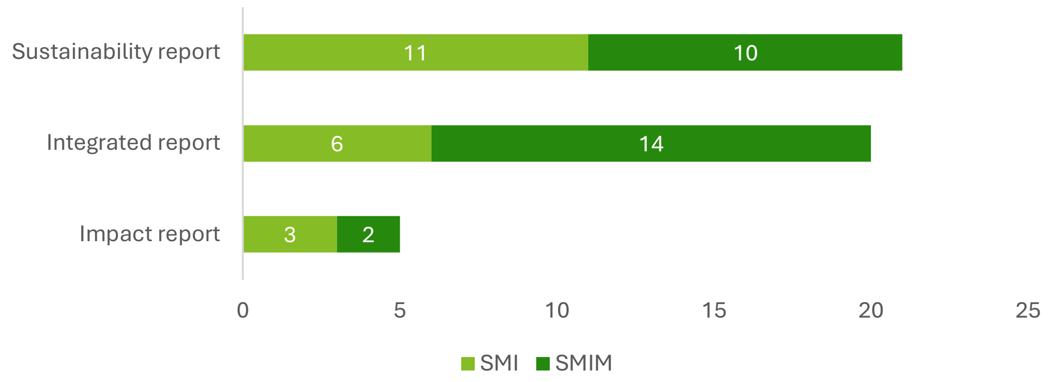
SMI Expanded: sustainability disclosure comparison for SMI vs SMIM (mid-cap)

Both indices show comparable results in sustainability disclosures and voluntary frameworks.

Reporting under ESRS I SMI vs SMIM companies



Type of report adopted I SMI vs SMIM companies



98
average number of pages of SMI sustainability reports.

113
average number of pages of SMIM sustainability reports.

Both SMI and SMIM companies demonstrate comparable levels of maturity in their reporting practices, with **three out of the four companies disclosing in accordance with the ESRS being SMIM firms.**

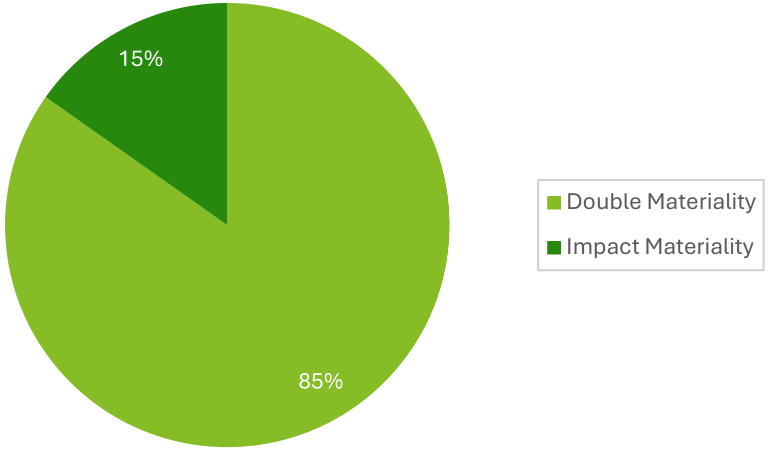
However, the preferred type of reports adopted varies between the two groups. SMI companies predominantly favour **sustainability reports** over integrated reports.
In contrast , SMIM firms appear to be more advanced in the adoption of the ESRS for their non-financial disclosures, with approximately **20 companies already adopting integrated reports**, aligning with the requirements set forth in the ESRS.

The average length of the releases remains similar, with only the average number of pages for impact reports substantially differing between the two groups of companies (**98 pages for SMI companies, 63 for SMIM**).

Navigating double materiality

Despite not disclosing under CSRD, 57% of companies assessed have already adopted the ESRS and the EFRAG Guidelines on DMA for comprehensive assessment.

Types of DMA frameworks adopted by SMI companies (% of total)



Common steps adopted as part of the DMA exercise

1. Benchmarking exercise for short list of topics carried out via research, ratings and previous assessments →
2. Material topics and IRO identification with stakeholders →
3. Stakeholder engagement to assess IROs and validation of material topics →
4. Final mapping of material topics →
5. Double materiality output

A significant **degree of variability** has been observed in how companies execute and disclose their DMAs.

Despite a limited number of companies currently reporting in compliance with CSRD, **27 firms** that have conducted a DMA **have done so in accordance with the ESRS**. DMA is the first and cornerstone step for alignment with the regulation, which explains why companies have already started to align with the EFRAG Implementation Guidance on Materiality Assessment* and the requirements in ESRS 1.

For most companies, the identification of material topics and the underlying Impacts, Risks, and Opportunities (IROs) is based on a comprehensive approach, including:

- Context analysis
- Competitors analysis
- Anticipated regulatory developments
- Internal and external stakeholders
- Customer requirements
- Global ESG ratings and standards

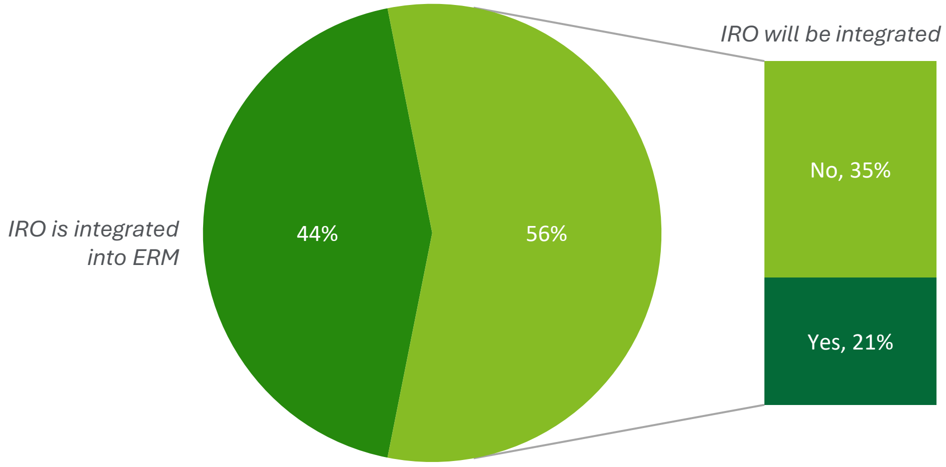
Some firms explained why the materiality assessment resulted in certain topics being omitted from the sustainability report, but many did not. Although reporting standards do not require this type of explanation (except in relation to ESRS E1 - Climate Change standard), it can provide useful context for readers.

****Source*: EFRAG, Implementation Guidance I EFRAG IG 1: Materiality Assessment, May 2024*

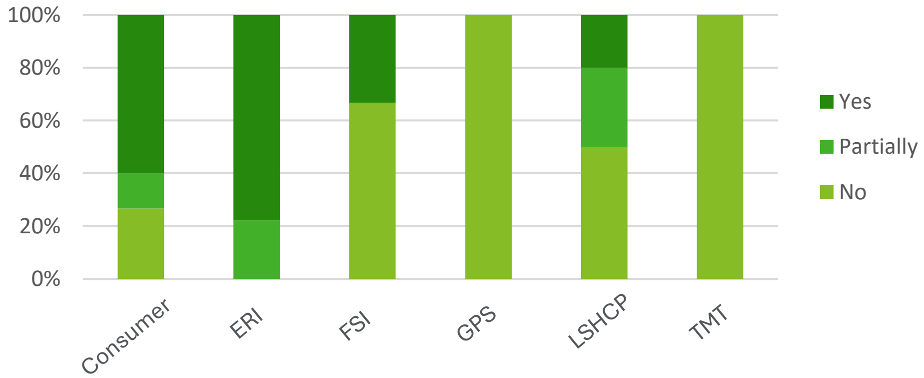
The IRO evaluation procedure

Identifying material IROs is progressively integrated into the enterprise risk management (ERM) system with certain industries being more advanced.

Is the IRO evaluation integrated into existing ERM system, or will it be integrated soon?



Industry comparison of integration of IRO into existing ERM



44%
integrated IRO into ERM

21%
plan to integrate the IRO evaluation into the existing ERM

9/15
Consumer companies have integrated the IRO evaluation into ERM

Less than half of companies (**44%**) have integrated the evaluation of Impacts, Risks, and Opportunities (IRO) into their **Enterprise Risk Management (ERM) framework**.

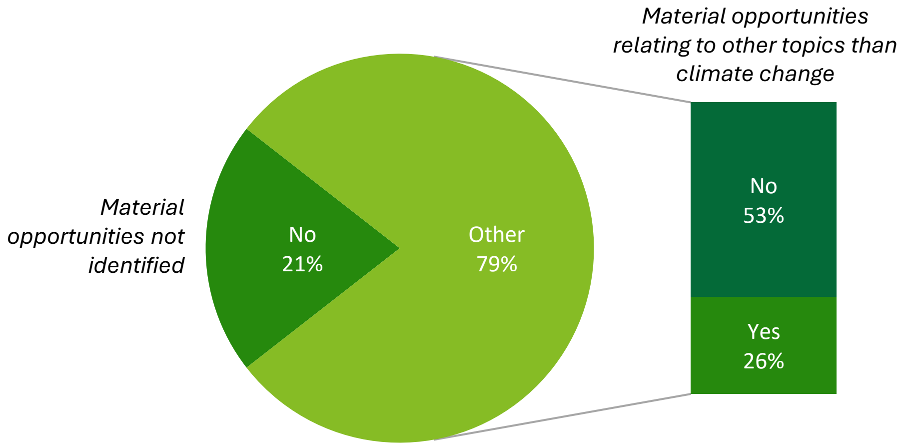
Conversely, a significant portion of companies (**56%**) have either partially integrated or not integrated the IRO evaluation into their ERM framework. This indicates that companies need to further develop their management of risks and opportunities to effectively address emerging challenges and leverage potential opportunities. Among the companies that have not fully integrated the IRO evaluation, **21% have disclosed plans to incorporate this process into their existing ERM framework** in the future. This proactive approach demonstrates a recognition of the importance of comprehensive risk management and a commitment to enhancing their ERM practices.

Companies in the Consumer and **Energy Resources & Industrials (ER&I)** industries are the most advanced in integrating the IRO evaluation process, followed closely by those in the Life Sciences and Health Care (LSHCP) and Financial Services Industry (FSI).

Identifying opportunities

Most identified opportunities relate to climate change topics, with the Consumer sector leading in identifying opportunities beyond climate.

Disclosed material opportunities and whether they relate to other topics than climate change



Industry comparison on whether disclosed opportunities relate to topics other than climate change

21%
did not disclose on material opportunities

26%
disclose material opportunities beyond climate change

63%
of ER&I companies disclose opportunities beyond climate change

Of the 79% of companies that have identified material opportunities, **only a slight majority has disclosed material opportunities linked to topics other than climate change.** This can be attributed to the fact that companies reporting under TFCD have already undertaken the exercise of identifying **climate change related opportunities**, leading to more advanced disclosures in this area.

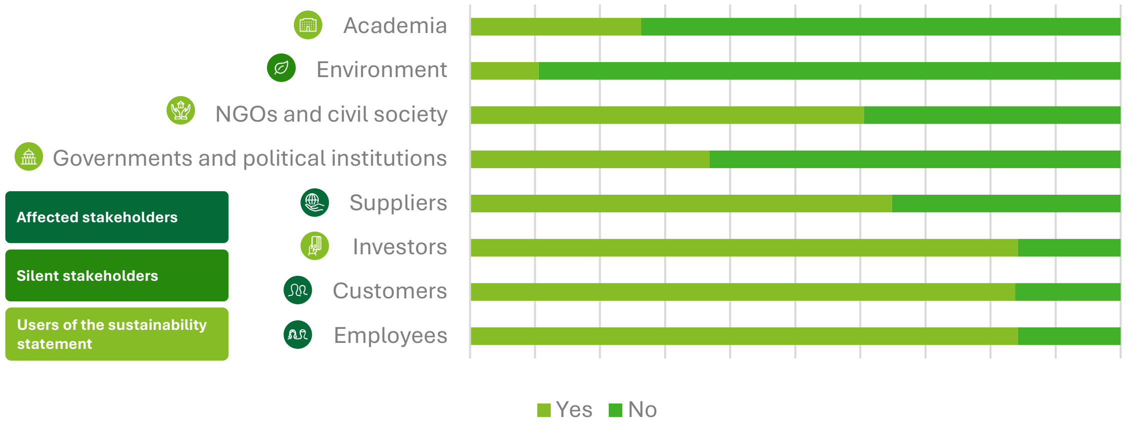
For other environmental, social, and governance topics, **companies focus more on disclosing impacts and risks**, with less than 30% identifying opportunities beyond climate change. Similarly, companies reporting under TNFD primarily disclose material impacts and dependencies, with fewer companies disclosing nature-related opportunities, as detailed later on page 18 of this report.

Only a minority of FSI and LSHCP companies identified opportunities beyond climate change topics, whereas 63% of ERI companies go beyond the climate change topic when mapping opportunities.

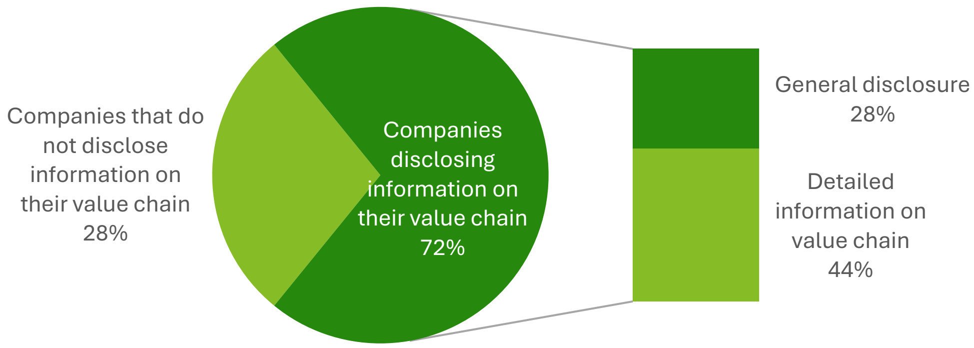
Stakeholder engagement and value chain: cornerstones of CSRD disclosures

Companies use surveys, interviews and workshops to engage with stakeholders, however, disclosures on value chain remain less common.

Stakeholders engaged (by stakeholder type)



Value chain disclosures



Only **4** companies have published their value chain in the form of an infographic.

Media, press, industry associations and business partners are other stakeholders commonly engaged-

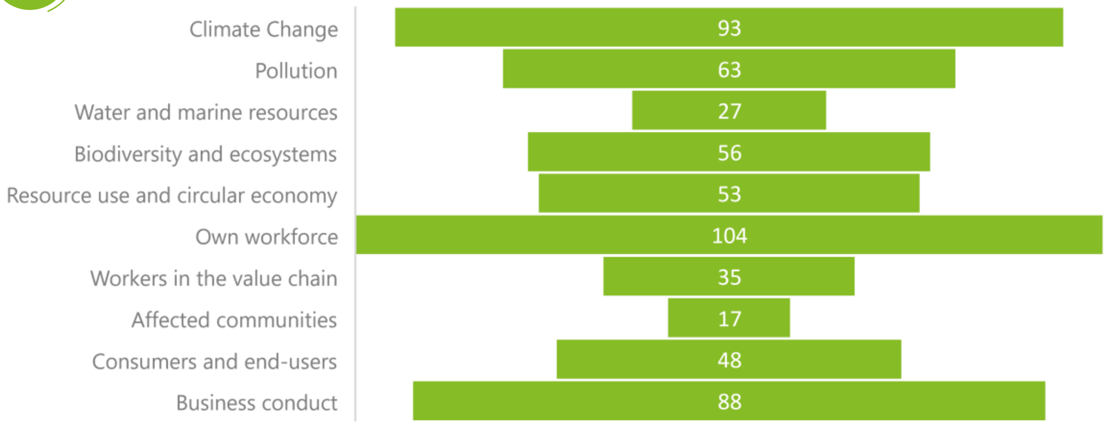
All companies analysed disclose information on their stakeholders and provide a detailed overview of the engagement activities currently carried out. The dialogue and frequency of engagements differ greatly between internal and external stakeholders. Our analysis reveals that the most commonly adopted engagement methodologies are (i) **surveys** (public and internal), (ii) **external interviews** and (iii) **internal focus groups/business impact workshops**.

Disclosure on value chains varies significantly among the companies analysed. Of those that do report on their value chain, **29% refer to it in general terms** without providing **detailed information on upstream, own operations and downstream actors**. This lack of detail makes it difficult for readers to understand how, and whether, the analysis has been carried out. Firms should disclose the value chain by providing an overview of the main players. The **food & beverages industry**, as well as the **pharmaceutical industry**, appear to be the most advanced in mapping value chain actors.

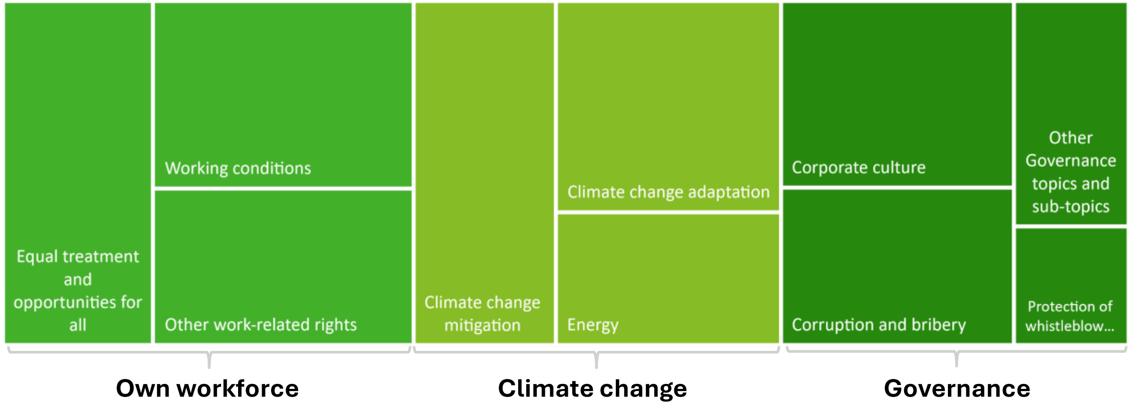
Benchmarking of main material topics disclosed

Most SMI Expanded firms report on material topics that have already been collected as part of the financial reporting exercise, while only a few disclose on affected communities and water and marine resources.

Overview of total topics represented for each area of disclosure



Material topics and sub-topics, mapped against the sustainability matters covered in topical ESRS*



__Source__: Corporate Sustainability Reporting Directive, ESRS 1, Sustainability matters to be included in the materiality assessment, AR. 16

29
maximum number of material topics identified by a company.

Only 1
company did not disclose on its material topics.

Companies in the SMI Expanded index have identified an average of **13 material sub-topics** from the list of sustainability topics and sub-topics prescribed by the CSRD and other voluntary reporting frameworks. **Climate change** is the most frequently included material topic among the companies in the benchmark study.

Most companies also disclosure on **Own workforce** and **Governance** topics and sub-topics, as they already have solid procedures in place for reporting on HR and business conduct information as part of their financial reporting. The least common reporting topics **are Affected communities** followed by **Water and Marine resources**.

When companies identified sector-specific material topics, they largely differentiate based on the industry. However, **cybersecurity and data privacy, innovation, and responsible and ethical supply chain management** are the most represented in sector-specific disclosures.

__Note__: Mapping has been completed for all companies, regardless of the disclosure framework adopted

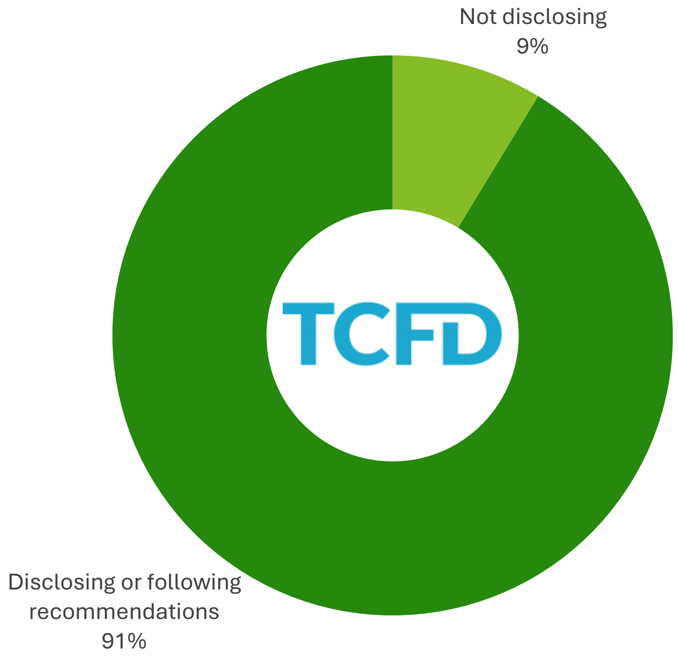
Disclosure under other relevant initiatives

Among SMI Expanded companies, only a few are early adopters of the TNFD.

Task Force on Climate-related Financial Disclosures (TCFD)

Most companies have already adopted the TCFD as their main reporting framework for the disclosure of climate-related risks and opportunities.

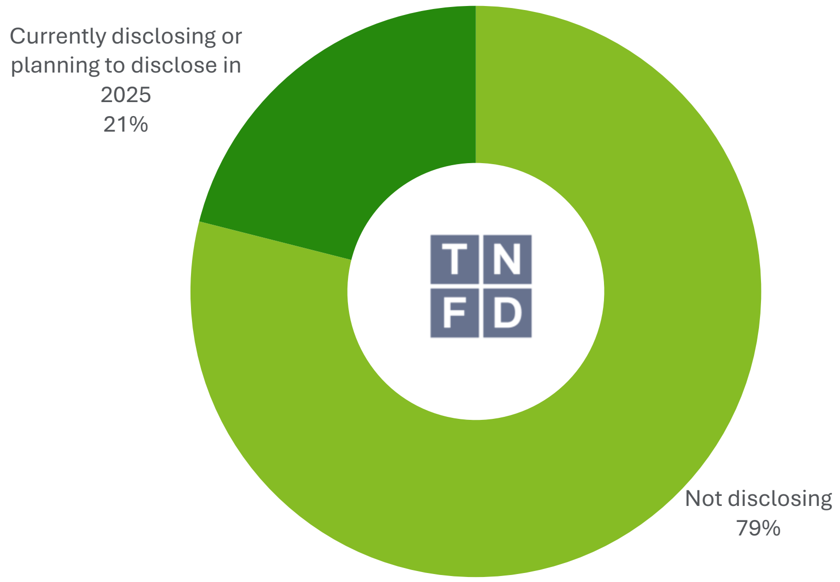
This adoption enables more sophisticated disclosures on material topics and subtopics related to climate change, as companies benefit from board oversight and have established advanced risks and controls for gathering information on Scope 1, 2, and 3 emissions.

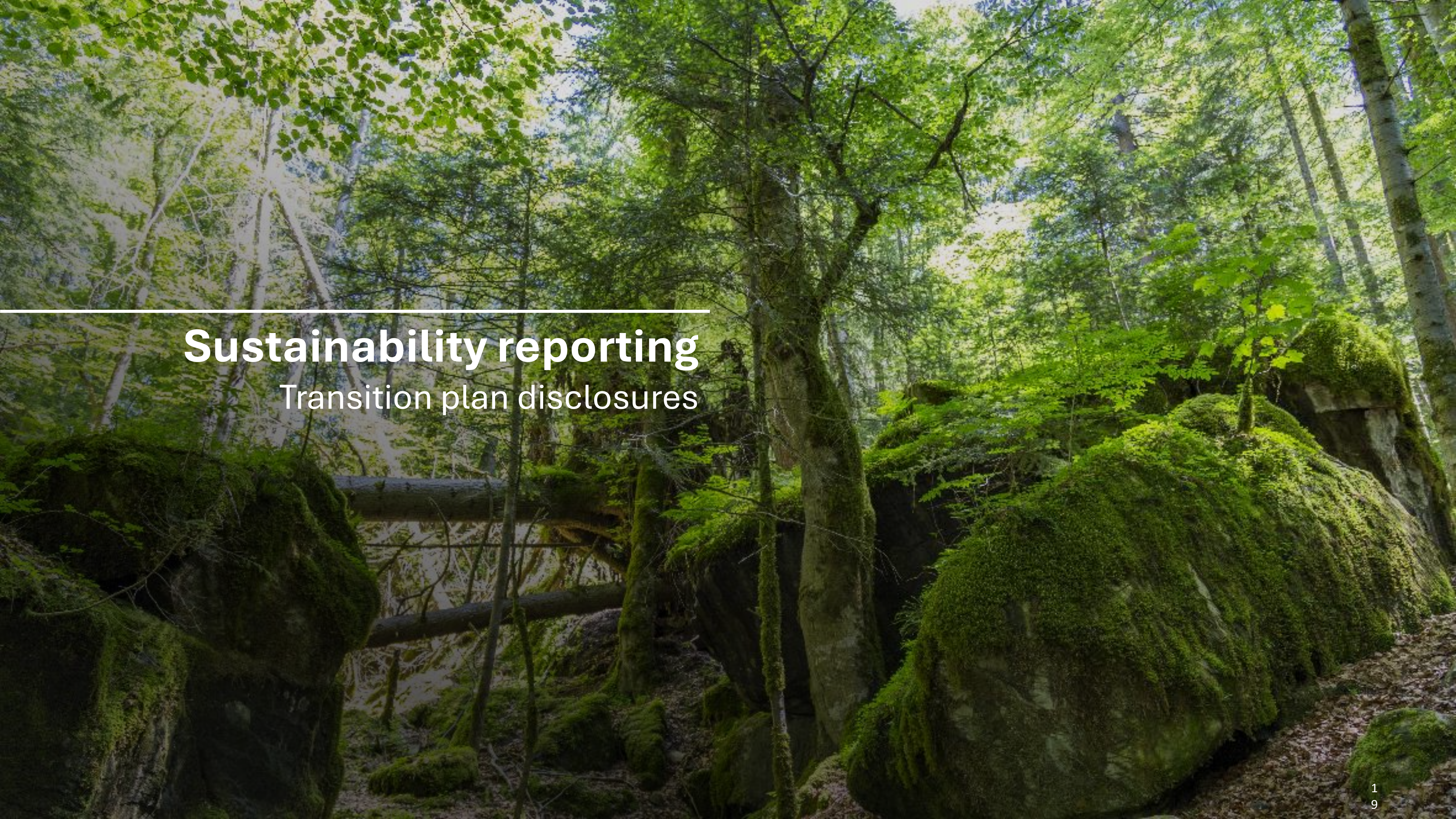


Task Force on Nature-related Financial Disclosures (TNFD)

One-fifth of companies are currently disclosing or plan to disclose in accordance with the TNFD framework.

Reporting under TNFD helps companies establish key actions for addressing their nature-related dependencies, covering all sites and activities of their own operations.





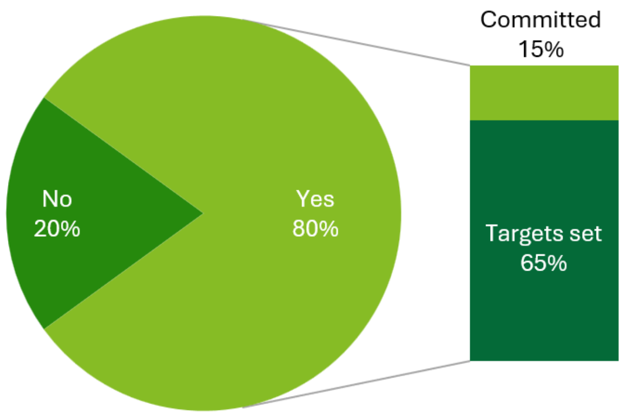
Sustainability reporting

Transition plan disclosures

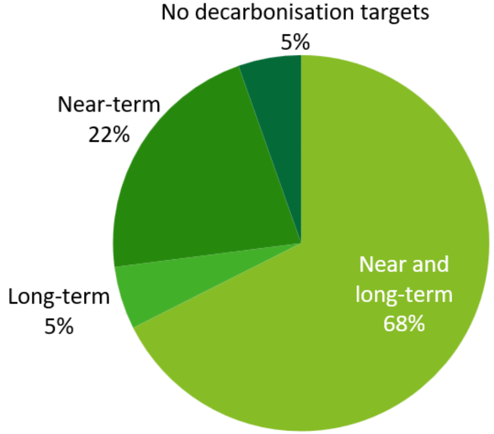
Disclosures on decarbonisation targets

Many companies report having long-term and near-term decarbonisation targets, whereas a small group only commit to near-term targets.

Companies with decarbonisation targets I SBTi



Type of decarbonisation targets



80%
have set or committed to SBTi targets

78%
have set both near-term and long-term decarbonisation targets

17%
have only set short-term decarbonisation targets

The Science Based Targets initiative (SBTi) provides guidance and validation for companies and financial institutions to set eight different target types that align with 1.5°C or well-below 2°C scenarios, applicable to various scopes and sectors.

Most companies have defined both long (> 5 years) and near-term (< 5 years) decarbonisation targets, with 80% having set or committed to SBTi targets.

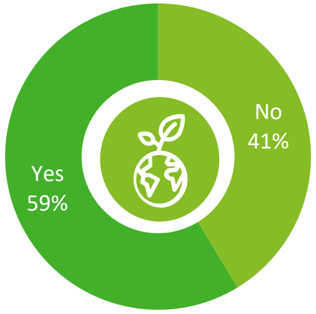
Among these companies, most have defined both near-term and long-term targets. Setting short-term actions is crucial to ensure that long-term objectives and strategies are successfully achieved.

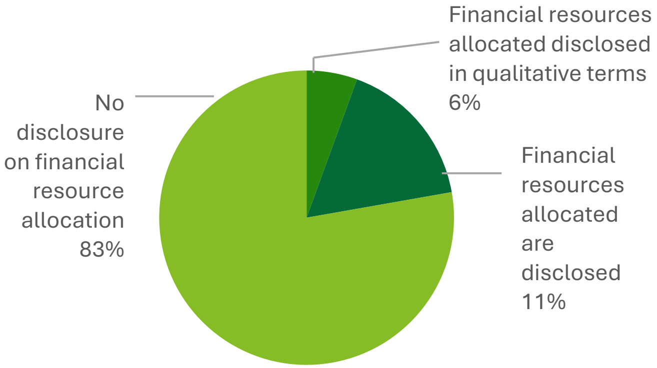
Disclosures on transition plans

Most companies report having decarbonisation targets and a transition plan, but few disclose the financial resources dedicated to decarbonisation actions .

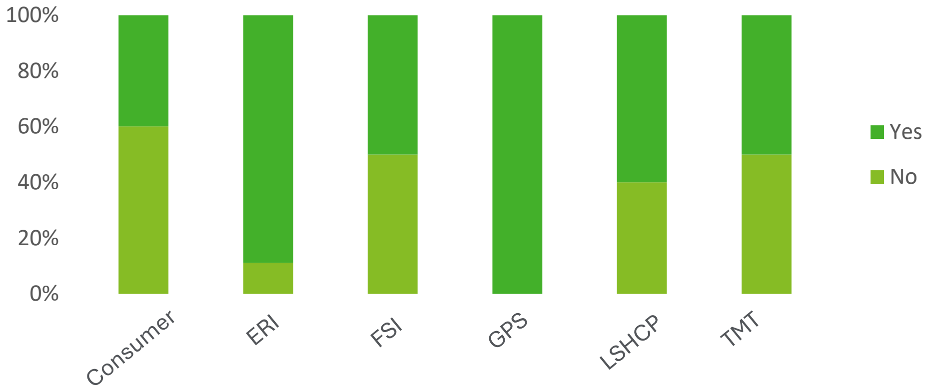
Transition plans and financial resources allocated to transition plan

Transition plan disclosed





Transition plans disclosed per industry



59%
disclose having a transition plan

11%
fully disclose financial resources allocated to transition plans

60%
of Consumer companies do not disclose transition plans

Most companies **(59%) have a transition plan in place**, indicating a strong focus on planning their path to net-zero.

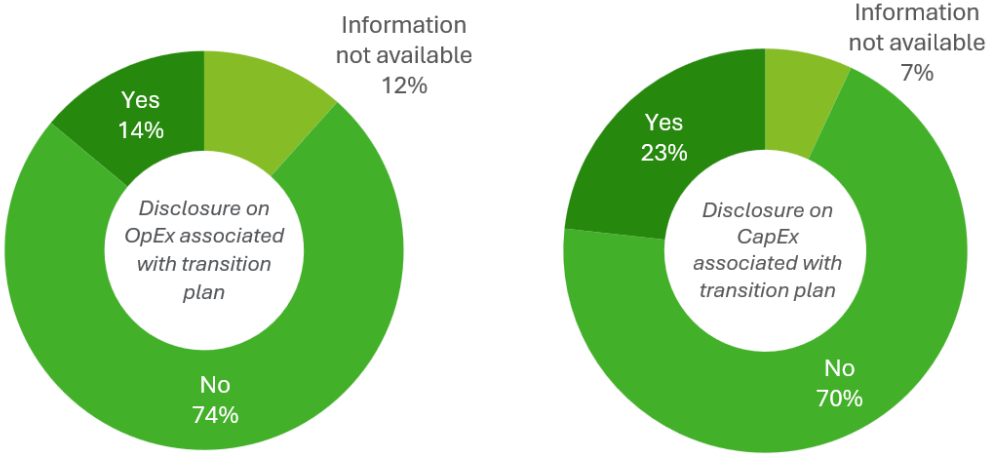
However, a significant majority do not disclose the financial resources allocated to their transition plans. Only a small portion (11%) fully disclose this information, while 6% provide descriptive information but not in monetary terms. The companies that disclosed financial resources allocated to transition plans expressed this as part of their EU Taxonomy disclosure. The limited information on investments in transition plans and decarbonisation activities indicates slow progress in implementation of climate change mitigation actions.

Despite being the industry with most companies represented in this market study, **most Consumer companies did not disclose transition plans.**

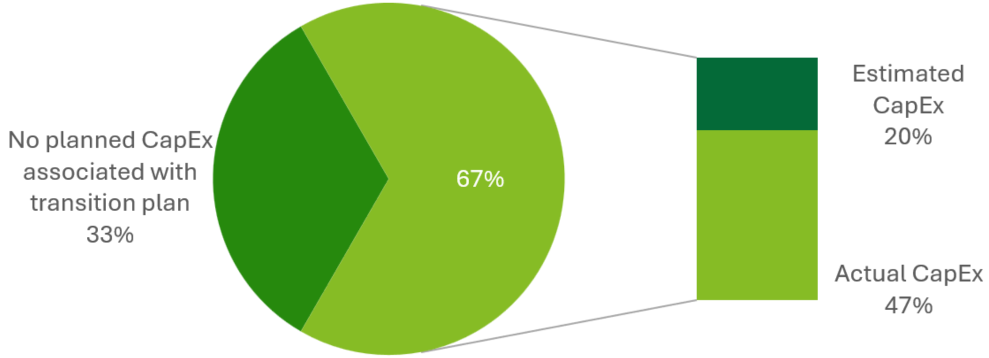
Financial resources allocated to transition plans in comparison with France

Swiss SMI Expanded companies are reluctant to allocate investments for transition plan measures, whereas French companies are more advanced in allocating CapEx to transition plans.

OpEx and CapEx disclosures



Country comparison I Disclosure on OpEx and CapEx associated with transition plans



14%
of SMI Expanded companies disclose OpEx associated with their transition plan

23%
of SMI Expanded companies disclose CapEx associated with their transition plan

2/3
French companies disclose CapEx associated with transition plans*

Only a few companies disclose OpEx associated with their transition plans, while slightly more **(23%) disclose on CapEx associated with these plans.**

**In a benchmark on CSRD reports published by French companies, released by Deloitte France during a webinar in April 2025, two-thirds of companies included in the benchmark had disclosed planned CapEx investments associated with transition plan actions. However, it should be noted that 30% of the planned CapEx were based on estimations rather than actual amounts.*

Comparing the findings from the Swiss sustainability reporting benchmark with the French sustainability reporting benchmark reveals that **French companies are generally more advanced** in allocating financial resources, particularly CapEx, to their transition plans. This relatively advanced status is due to the CSRD already being applicable to numerous French companies beginning in the financial year 2024.

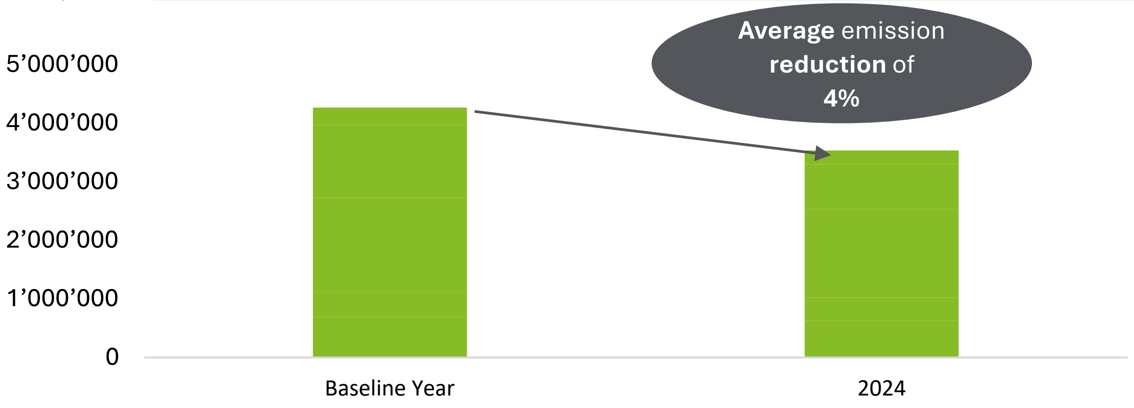
Sustainability reporting

Selected industry practices on GHG targets and emissions disclosures

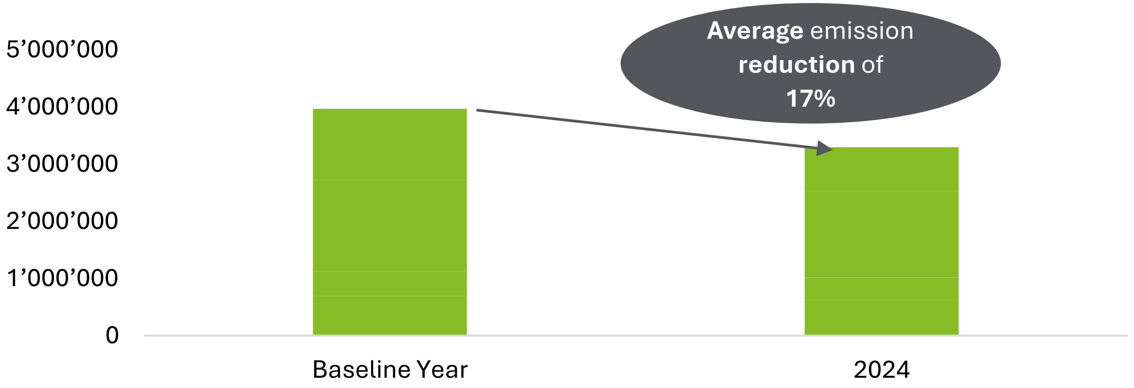
Case study 1 I Energy, Resources & Industrials (ER&I)

ER&I companies show a slow but steady progress in emissions reduction.

Aggregated total Scope 1 and 2 (market-based) emissions reduction (baseline year vs 2024, in tCO2) for 5 firms in the ERI sector



Aggregated total Scope 3 emissions reduction (baseline year vs 2024, in tCO2) for 5 firms in the ERI sector



Note: *Baseline years included: 2019, 2020, 2021, 2022, 2023*

GHG emissions and reduction targets trends for the ER&I sector

Highlighted targets

Most ambitious targets
Carbon neutrality on own operations’ **Scope 1 and 2 by 2030 and 90% reduction** on Scope 3 emissions by **2050**

Least ambitious targets
Reduction of Scope 1 and 2 emissions by **-50% by 2030**

Common decarbonisation strategies

- Introduction of energy-efficient solutions, such as modern **LED lighting, building, roofing insulation, air conditioning system** improvement
- Electrification of **companies’ vehicle fleets, machinery and heating systems**
- Acquisition of **energy attribute certificates (EACs)** in selected regions
- Internal awareness through **communication campaigns**
- **Optimisation and replacement** of energy-intensive equipment

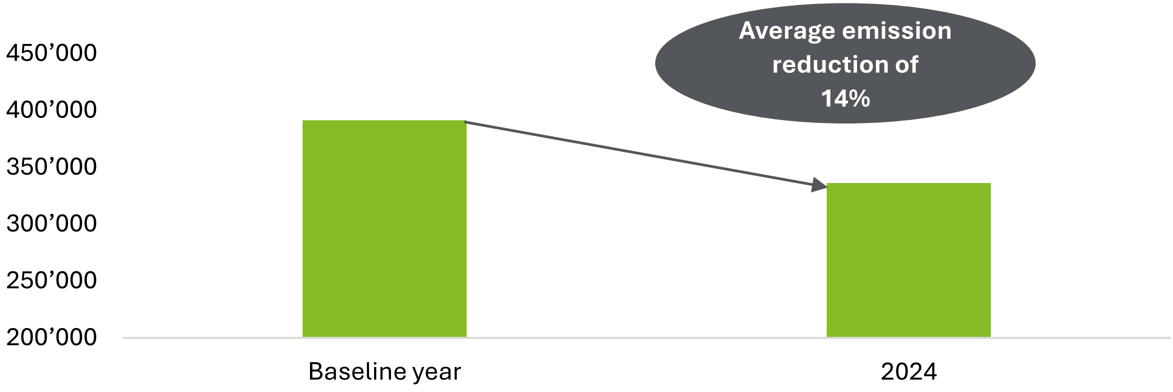
Prospects

- Introducing **near-term goals** is essential to ensure continues improvement on emissions reduction.
- A detailed **roadmap for transitioning to net-zero** can boost progress towards the targets set.

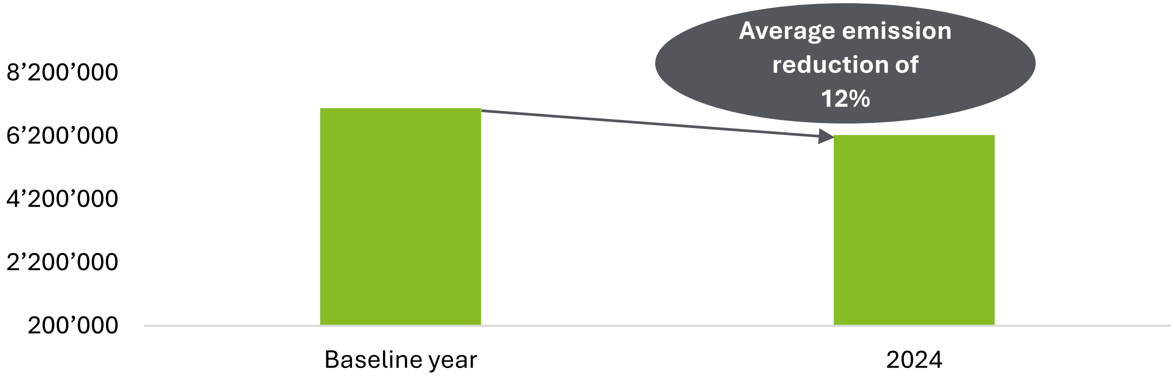
Case study 2 I Life Sciences & Healthcare (LSHCP)

The LSHCP sector demonstrates modest GHG emissions reductions but face the challenge of embedding emission reduction in their value chain.

Aggregated total Scope 1 and 2 (market-based) emissions reduction (baseline year vs 2024, in tCO2) for 7 firms in the LSHCP sector



Aggregated total Scope 3 emissions reduction (baseline year vs 2024, in tCO2) for 7 firms in the LSHCP sector



Note: *Baseline years included: 2019, 2020, 2021, 2022, 2023*

GHG emissions and reduction targets trends for the LSHCP sector

Highlighted targets

- **Ambitious absolute reduction target:** reducing absolute Scope 1,2 and 3 GHG emissions by 90% by 2040 (2021 baseline)
- **Ambitious scope 3 reduction target:** achieving net-zero emissions across the entire value chain by 2045 (2022 baseline)
- **Tangible near-term reduction target:** reduce absolute scope 1 and 2 GHG emissions annually for own operations by 4.2%

Common decarbonization strategies

- Investment in **renewable energy** and electrification of energy systems
- **Electrification of transportation modes**
- Supply chain engagements to raise awareness on climate change implications
- Introduction of **sustainable R&D procedures**

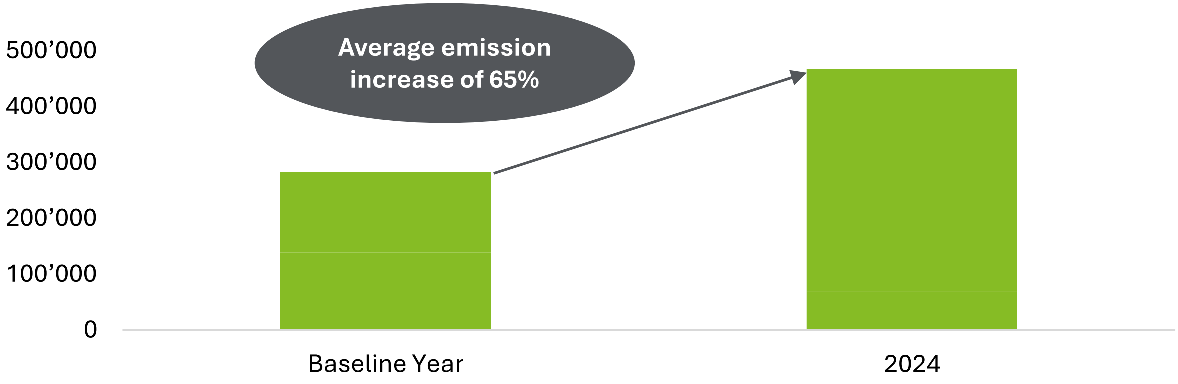
Prospects

- Tracking the progress of suppliers with science-based targets is trending, however, the LSHCP companies are yet to disclose how or if they track the **performance of emission reductions for target-committed suppliers.**
- Companies increasingly introduce environmental criteria in supplier contracts but do not **disclose whether they have actively terminated contracts with suppliers** not living up to emissions reduction criteria.

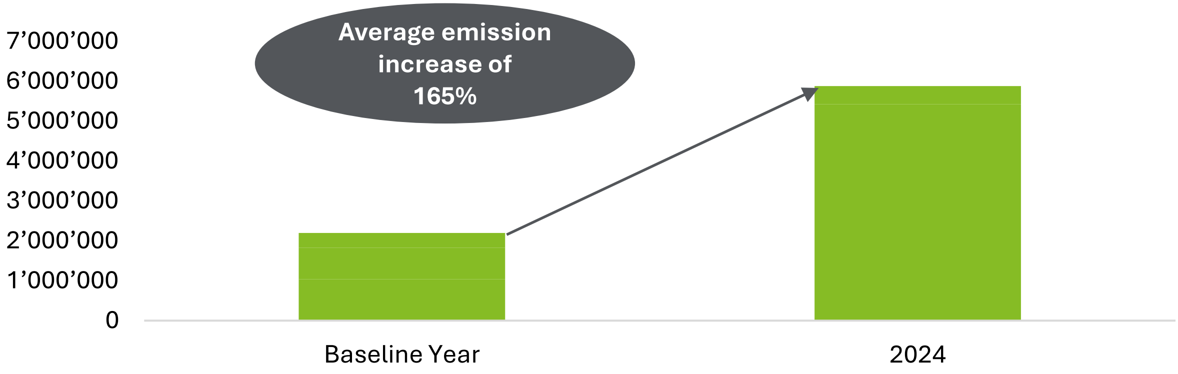
Case study 3 I Consumer

Consumer companies show a steep increase in emissions due to an acquisition of a firm by one company.

Aggregated total Scope 1 and 2 (market-based) emissions increase (baseline year vs 2024, in tCO2) for 6 firms in the consumer sector



Aggregated total Scope 3 emissions increase (baseline year vs 2024, in tCO2) for 6 firms in the consumer sector



Note: *Baseline years included: 2019, 2020, 2021, 2022, 2023*

GHG emissions and reduction targets trends for the Consumer sector

Highlighted targets

Most ambitious target:
Carbon neutrality on own operations’ Scope 1 and 2 by 2025

Most common target:
90% reduction of absolute Scope 1, 2 and 3 emissions by 2050

Common decarbonization strategies

- Purchase **renewable energy certificates (RECs)** at Group level and invest in **energy attribute certificates (EACs)**
- Engage in **carbon offsetting initiatives** to compensate for residual amount of CO2 emissions
- Track and engage with **suppliers who have committed to SBTi**
- Develop **logistics code of conduct and green travel policy**
- Transition to **low carbon technologies** in contracts with leasing companies for vehicle fleet
- Introduction of **circular measures in products design**

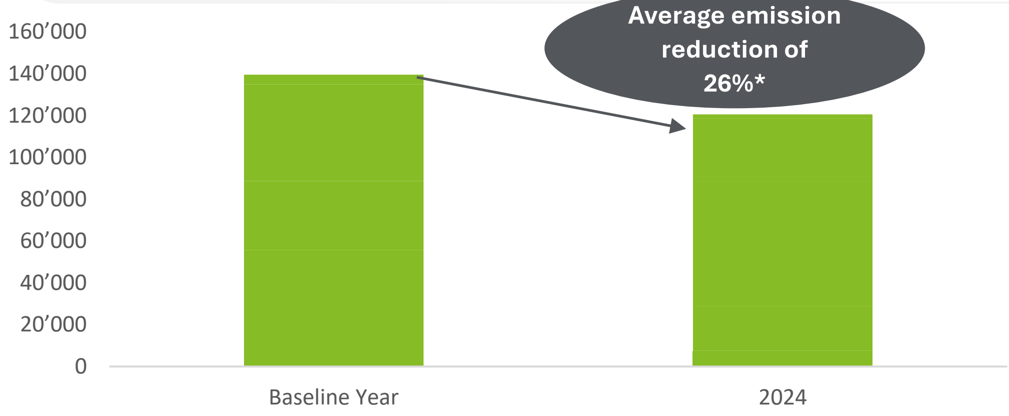
Prospects

- Similar to LSHCP companies, firms operating in the Consumer sector disclose on tracking the progress of suppliers against their SBTi targets without providing further insights on the methodology adopted to ensure **comprehensive tracking of actual emissions reduction performance.**

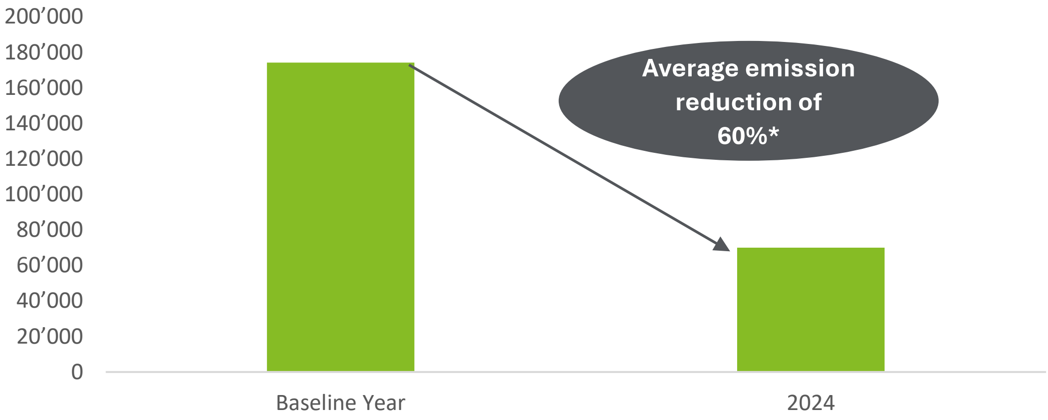
Case study 4 I Financial Services (FSI)

FSI companies exhibit varying degrees of maturity in their disclosed information, with some yet to establish a baseline year for evaluating their ongoing Scope 1, 2 and 3 performance*

Aggregated total Scope 1 and 2 (market-based) emissions reduction (baseline year vs 2024, in tCO2) for 7 FSI firms



Aggregated total Scope 3 emissions reduction (baseline year vs 2024, in tCO2) for 4 FSI firms



Note: *Baseline years included: 2019, 2022, 2023*

**Only SMI Expanded players with baseline years for the relevant categories of emissions have been included in the analysis.*

GHG emissions and reduction targets trends for the FSI

Highlighted targets

Most ambitious target
75% of managed procured spend with suppliers that have SBTi by 2025 and net-zero targets by 2030

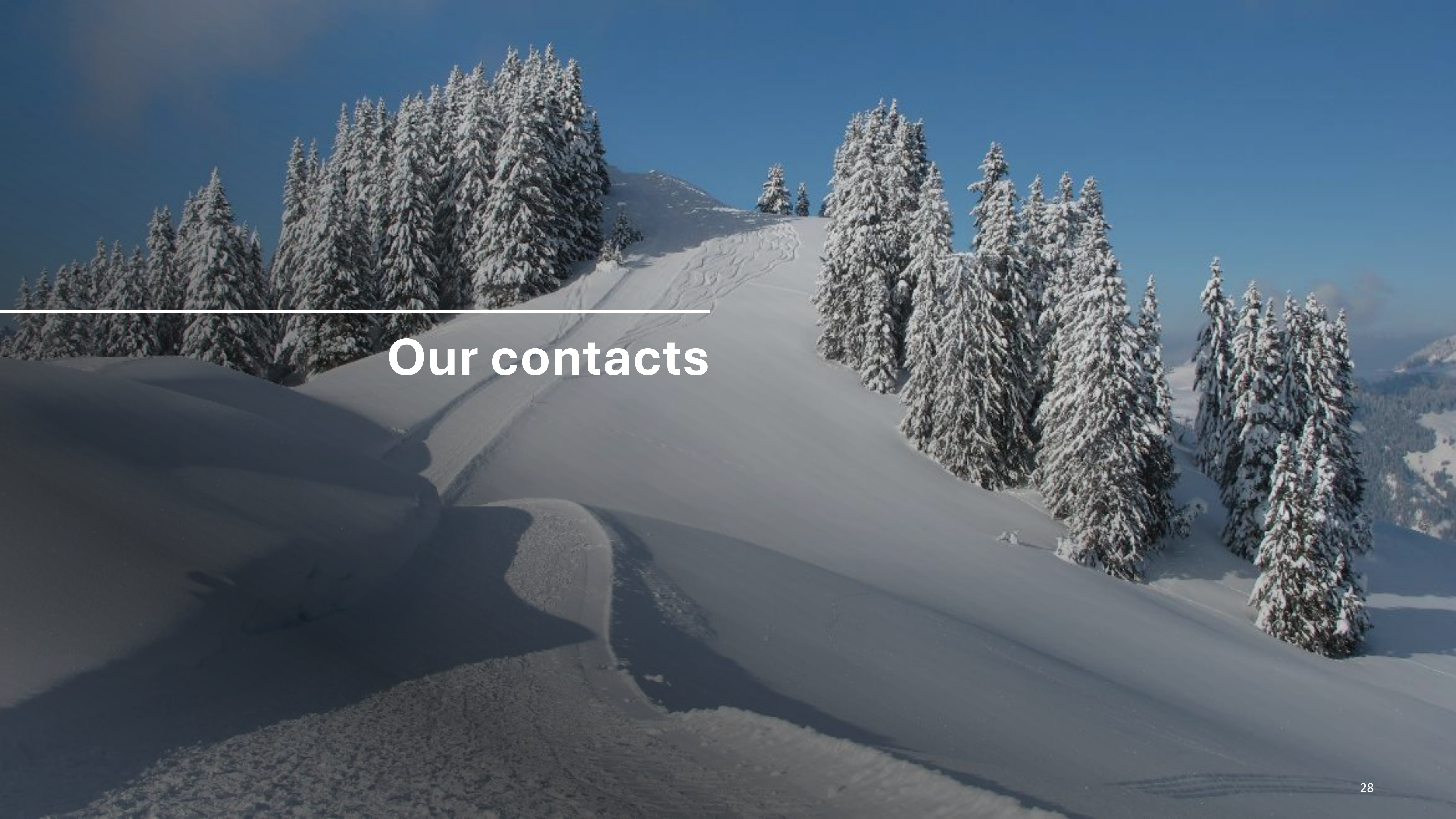
Least ambitious target
Reduction of Scope 1 and 2 emissions by **57% by 2030**

Common decarbonization strategies

- Reducing exposure over the **medium to long term** to products and investments that do not support transition
- Transitioning to **100% electric car fleet**, phasing out **fossil-fuel powered own vehicles**
- Eliminate usage of **heating oils** and **natural gases** and adopt **100% renewable electricity with investments** in **guarantees of origin** for renewable electricity

Prospects

- Introduction of **near-term goals** is essential to ensure a slow, but progressive, improvement on emissions reduction.
- A **transition plan roadmap** can help in fulfilling the targets established and should not be limited to own operations but cover **firms' investments and portfolios.**



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Important notice