Sustainability and the Board – here to stay

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Contents

About the survey
This is the 15th edition of swissVR Monitor and is based on a survey of 409 members of Swiss company Boards of Directors. The aim of the survey is to gauge Board members' attitudes to the outlook for the economy and for business and corporate governance issues. This edition also focuses specifically on the topic of corporate sustainability.

The swissVR Monitor survey was conducted by swissVR in collaboration with Deloitte AG and the Lucerne University of Applied Sciences and Arts between 29 November 2023 and 7 January 2024. A total of 409 Board members took part, representing listed companies as well as small and medium-sized companies (SMEs) from every major sector of the Swiss economy. 32% of the participants are from large companies, 34% from medium-sized companies, and 34% from small companies.

The aim of swissVR Monitor is to offer Board members a benchmark for comparing the issues facing their own Board with those facing their counterparts on other company Boards. swissVR Monitor also aims to share with the wider public the ways in which Board members perceive their role and the current economic situation.

A note on the methodology
When comparing survey results over time, please note that the sample may have changed. Percentage figures are rounded to add up to 100. Company size is determined by workforce: small companies have between 1 and 49 employees, medium-sized companies have between 50 and 249 employees, and large companies have 250 or more employees.

Foreword

Dear reader

We are delighted to bring you swissVR Monitor I/2024. For this edition, we surveyed 409 members of company Boards of Directors across Switzerland. The findings reflect their attitudes to the economy, the outlook for business and relevant areas of their own role.

The focus topic in this edition is sustainability. This issue has become increasingly important over the past few years, a trend that looks likely to continue. In 2024, for example, many listed companies in Switzerland will be addressing major new sustainability challenges: they are now under a new statutory obligation to report in detail on the progress they are making towards their sustainability goals – an important step towards greater transparency and accountability. Non-listed companies, too, are facing growing demands for greater sustainability from stakeholder groups. All Boards therefore need to address this issue and have a clear understanding of their own role and obligations in the area of sustainability. This edition of swissVR Monitor considers aspects such as the major sustainability issues confronting businesses, the measures they need to take, the obstacles they face, and the nature of the debate within their Boards.

Alongside the survey findings, swissVR Monitor I/2024 conducted interviews on the focus topic with:

- Regula Wallimann, member of the Board of Adecco Group, Helvetia Group, Straumann Group, Swissgrid and Swissport

- Barbara Dubach, member of the Board of ESG4Boards, swisscleantech and PUSCH Praktischer Umweltschutz and President of the Board of Holzheizkraftwerk Aubrugg

We would like to thank our interviewees and all the Board members who participated in this swissVR Monitor. We hope you will find this report an informative and enjoyable read.

Cornelia Ritz Bossicard
President swissVR

Reto Savoia
CEO Deloitte Switzerland

Prof. Dr. Mirjam Gruber-Durrer
Lecturer IFZ/Lucerne University of Applied Sciences and Arts

Summary and key findings

18%
of Board members rate the outlook for the Swiss economy over the next 12 months as positive.

Economic outlook less bright than in H2 2023
Swiss Board members are somewhat less optimistic than in H2 2023 in their rating of the economic, sector and business outlook over the next 12 months. More Board members rate the outlook in all three areas as positive than rate it as negative, but a significant number are neutral. Major influences on Switzerland's economic prospects over the next 12 months include geopolitical conflict, the exchange rate for the Swiss Franc, and interest rate decisions by key central banks.

66%
expect sustainability issues to become more important to companies over the next three years.

Sustainability issues will become markedly more important to companies
Four-fifths of Swiss Board members agree that the importance of sustainability to their company has increased, a quarter of whom report that it has increased a lot. One-fifth say there has been no change in the importance of this issue and no Board member thinks that the issue has become less important. Two-thirds of Board members believe that sustainability will continue to increase in importance over the next three years. Just under one in five expects it to increase a lot, while one in six expects no change. Virtually no Board members believe that the importance of sustainability to their company will decrease.

59%
of Board members believe regulation is the greatest factor shaping sustainability.

External stakeholders challenge companies over sustainability issues
A majority of Swiss Board members believe regulation and changing customer needs are the greatest influences on their company's efforts in the area of sustainability. External stakeholders are therefore increasingly important in raising these issues with businesses. Board members report that most companies are seeking to make more efficient use of energy, while other common measures taken include developing more sustainable products or services, promoting diversity and inclusion, and training their staff on aspects of sustainability.

60%
of companies report that it is difficult to measure their own environmental impact.

Obstacles to greater sustainability
Board members surveyed believe that their companies face three major obstacles to becoming more sustainable. A majority report that their company finds it difficult to measure its own environmental impact. Half believe that their efforts are hampered by limited time resources. And finally, Board members report that the cost of sustainability initiatives is hampering their efforts.

85%
of Boards have discussed the issue of sustainability over the past 12 months.

Most Boards discuss sustainability
The vast majority of Boards have discussed sustainability over the past 12 months. In seven out of ten cases, this discussion has taken place in the full Board. More than a quarter of Boards have also discussed the issue within one or more relevant committees. Most Boards have the required expertise in the area of sustainability, according to survey respondents. However, only between five and six out of ten Board members believe that their Board takes the time it needs to discuss sustainability targets or management's sustainability reporting.

33%
of Boards have prioritised the issue of talent management over the past 12 months.

Boards and talent management
Talent management is by far the major issue Boards have had to tackle over the past 12 months, followed by formulating a new corporate strategy and risk management. Talent management now tops the list of Board concerns for the first time. It is also likely to dominate their agenda over the coming 12 months, ahead of improving efficiency/optimising internal processes and responding to market developments/behaviour by competitors.

Outlook

Economic, sector and business outlook

Board members are somewhat less optimistic than in H2 2023 in their rating of the **economic, sector and business outlook** over the next 12 months (see Chart 1). A number of factors and expectations shape their judgement. Geopolitical conflict remains a major cause of uncertainty and has grown in significance over recent months, for example as a result of the conflict in the Middle East. The continued strength of the Swiss Franc is a concern for export industries in particular. Over the past year, however, inflation has fallen in many countries including Switzerland, fuelling expectations that central banks, including the Federal Reserve, the European Central Bank and the Swiss National Bank, will cut interest rates in 2024. These lower interest rates could stimulate economic growth.

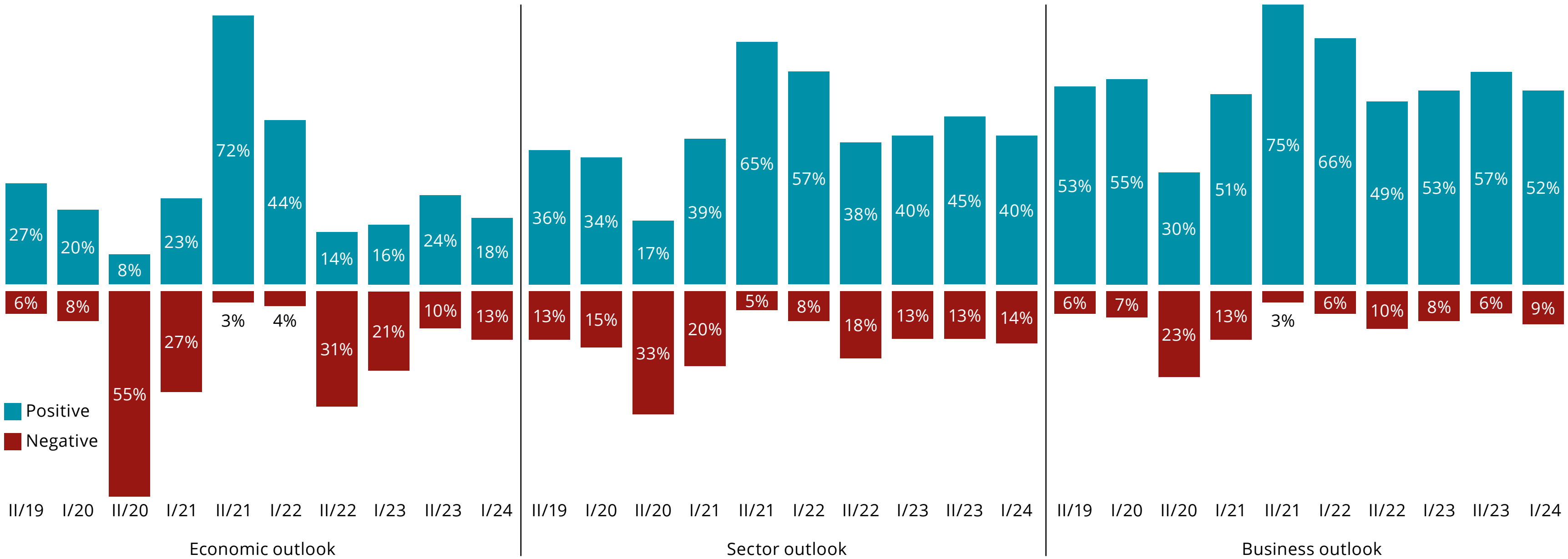
Most Board members (69%) rate the **economic outlook** over the next 12 months as neutral, with 18% rating it as positive and 13% rating it as negative. These figures mirror other recent economic forecasts, suggesting that growth in the Swiss economy will be modest in 2024 and will underperform the average. (See also the economic forecasts of the Swiss State Secretariat for Economic Affairs (SECO) and the Swiss Economic Institute (KOF).)

46% of Board members rate the **sector outlook** over the next 12 months as neutral, only slightly more than those who rate it as positive (40%). 14% rate it as negative. However, responses vary significantly by sector. Board members in the information and communications technology (ICT) sector, in corporate services, and in transport and logistics are more optimistic than the average, with 62%, 54% and 50% respectively, rating the outlook for their sector as positive compared with 0%, 8% and 14% respectively, who rate it as negative. By contrast, Board members in the manufacturing and chemicals sector and the retail and consumer goods industry are more pessimistic than the average: 27% and 26% respectively rate the outlook as negative compared with just 13% and 21% respectively, who rate it as positive. Major reasons for this include the continued high cost of raw materials and intermediary goods and declining demand in export markets.

52% of Board members rate the **business outlook** for their company over the next 12 months as positive and just 9% as negative. These figures mirror average findings over recent years. Board members in the ICT sector are particularly confident: 68% rate the business outlook for their company as positive compared with just 3% who rate it as negative. The same proportion of Board members in the corporate services sector rate their company's business outlook as positive, while 8% rate it as negative. By contrast, Board members in pharma and life sciences and in the manufacturing and chemicals sector are more pessimistic: a below-average 36% and 27% respectively rate the business outlook as positive, while 22% and 17% respectively rate it as negative.

Chart 1. Economic, sector and business outlook over the next 12 months [swissVR Monitor II/2019 to I/2024]

Question: How do you rate the prospects for the Swiss economy / sector / your company over the next 12 months?
Note: Neutral answers are reflected in the difference between the sum of positive and negative answers.



Focus topic: Sustainability and the Board – here to stay

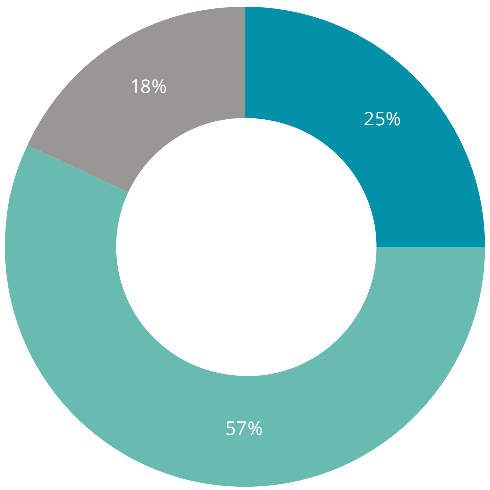
The three dimensions of sustainability – environmental, social and economic – are a key concern for companies and other organisations. Consumers are vocal in their demand for more sustainable products and services, and new sustainability legislation is finding its way on to the statute book in many countries. The media is also covering this issue more widely, reporting on businesses that breach sustainability rules. More and more companies are therefore rolling out global sustainability practices and guidelines and using sustainability reporting to showcase their achievements and successes. For these reasons, Swiss Board members must address the issue of sustainability within their own company and devise a clear strategy in this area.

The importance of sustainability to companies

Board members report that the **importance of sustainability** to their company has increased markedly **over the past three years** (see Chart 2 – left). More than half of all Board members (57%) say this importance has increased somewhat and a quarter (25%) that it increased a lot. Just under one-fifth (18%) report no change, with no Board member saying the issue has become less important.

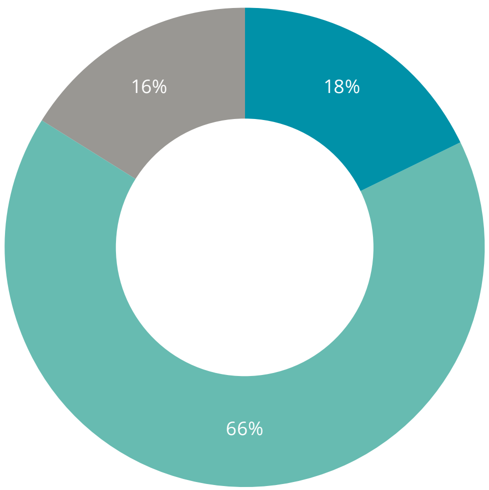
Chart 2. Importance of sustainability to companies

Question: How has the importance to your company of sustainability changed over the last three years?



Increase a lot Increase somewhat No change Decrease somewhat Decrease a lot

Question: How do think the importance to your company of sustainability will change over the next three years?



Increase a lot Increase somewhat No change Decrease somewhat Decrease a lot

The importance of sustainability to companies has increased most markedly in the retail and consumer goods industry, with 41% of Board members from this sector reporting that it has increased a lot, 56% that it has increased somewhat, and 3% that there has been no change. One explanation may be that against the backdrop of continued growth in the demand for more sustainable products and services, consumers and end users are now a major influence on the sustainability measures companies are implementing.

Over **the next three years**, Board members expect **the importance of sustainability to continue to increase** as it has over the last three years (see Chart 2 – right). Two-thirds of Board members believe its importance will increase somewhat and just under one-fifth that it will increase a lot (66% and 18%, respectively). Around one Board member in six (16%) believes that the importance of sustainability will remain the same, with virtually none expecting it to become less important.

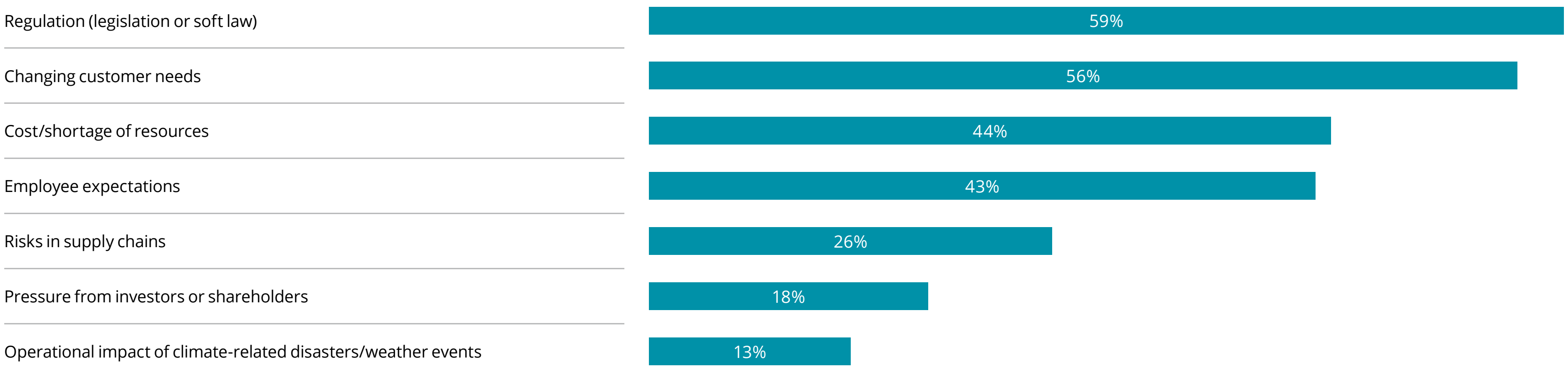
Board members in the retail and consumer goods sector are most likely to expect an increase in the importance of sustainability, with 24% of Board members from this sector believing that it will increase a lot, 71% that it will increase somewhat and 5% that there will be no change. Board members in construction and property are also more likely than the average to expect the issue to increase in importance over the next three years, with 28% believing it will increase a lot, 61% that it will increase somewhat, and 11% that there will be no change. These findings are plausible: this sector, along with consumer spending, is an important channel for consumer influence in this area, and the business world is also influential in terms of office and manufacturing space. If demand for more sustainable products and services continues to grow, this will also increase the importance of sustainability to companies in the construction and property sector over the coming years.

Sustainability – issues, initiatives and obstacles

Chart 3 illustrates the different ways in which Swiss companies address the issue of sustainability. A majority of Board members surveyed believe their own company's initiatives in this area are determined primarily by **regulation** (59%) and by **changing customer needs** (56%). This demonstrates that companies are increasingly likely to respond to demands and pres-

Chart 3. Sustainability issues affecting companies

Question: Which sustainability issues are currently affecting your company most? (Please select all that apply)



sures from external stakeholders – including the state and customers – in addressing the issue of sustainability. Regulation is a core dimension of sustainability in the construction and property sector, and in the financial services sector in particular, and is cited by 74% and 73% respectively of respondents from these sectors. In contrast, Board members in the retail and consumer goods sector are particularly likely to cite changing customer needs (79% of respondents).

Other aspects of sustainability frequently cited by Board members are the **cost/shortage of resources** (cited by 44% of respondents) and **employee expectations** (43% of respondents). Board members are less likely to cite the impact on their company of **risks in supply chains** (cited by 26% of respondents), **pressure from investors or shareholders** (18% of respondents) and **the operational impact of climate-related disasters/ weather events** (13% of respondents). Here too, though, there are variations by sector. Risks in supply chains are an important aspect of sustainability for around half of all companies both in the manufacturing and chemicals industry, and in the retail and consumer goods sector (55% and 53%, respectively).

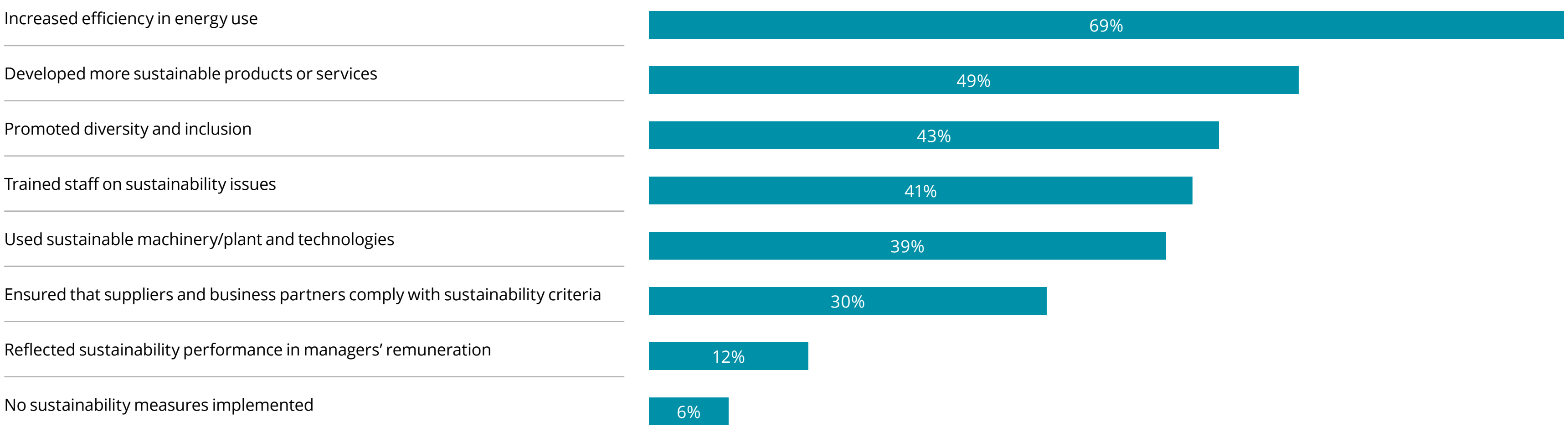
Companies have a range of measures open to them for addressing sustainability issues (see Chart 4). Just over two-thirds (69%) of companies have **increased efficiency in their energy use**. This measure is likely to be directly attributable to the (higher) cost or shortage of resources highlighted in Chart 3 and thus reflect companies' economic concerns as well as environmental ones.

Other measures adopted by many companies include **developing more sustainable products or services** (49% of respondents), **promoting diversity and inclusion** (43%), **training staff on sustainability issues** (41%), **using sustainable machinery/plant and technologies** (39%), and **ensuring that suppliers and business partners comply with sustainability criteria** (30% of respondents). Only around one company in eight (12%) **reflects sustainability performance in managers' remuneration**. Just 6% of Board members say their company has **not implemented any sustainability measures**.

Some measures are more common in specific sectors. For example, two-thirds of companies in the financial services industry (67%) are developing

Chart 4. Sustainability measures of companies

Question: Which of the following sustainability measures has your company already implemented? (Please select all that apply)



more sustainable products or services. The figure for the retail and consumer goods sector is similarly high, at 62% of companies. The financial services sector is also more likely than the average to be promoting diversity and inclusion (59% of respondents).

Company size is a further determining factor, though it is more likely to influence the number of sustainability measures companies take than the nature of those measures. Board members from small companies, for example, report on average that their company is implementing two of the seven measures listed in Chart 4. The figures for medium-sized and large companies are three and four measures, respectively. Large companies are likely to have more financial and time resources to devote to implementing sustainability measures.

Chart 5 shows that companies may face a number of obstacles in implementing sustainability measures. A majority of Board members (60%) report that **the difficulty of measuring the company's own environmental impact** is hampering efforts to become more sustainable, while 51% cite **limited time resources** as a factor. 38% of respondents also report that the **high cost of sustainability measures** is impacting their efforts. There are few differences between sectors or between companies of differing size in terms of these three main obstacles.

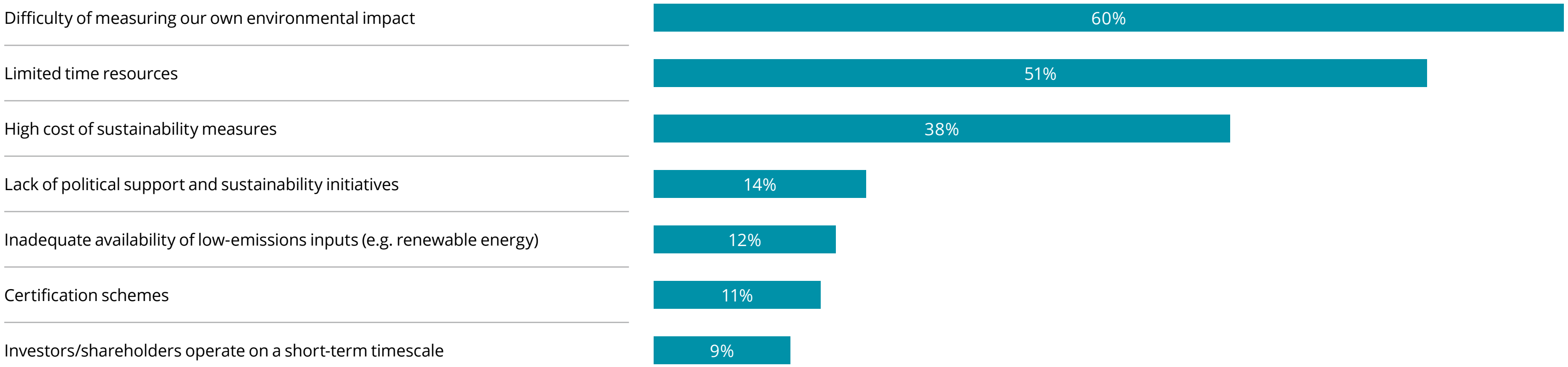
Smaller numbers of Board members cite other factors hampering their company's efforts in this area. These include **a lack of political support and sustainability initiatives** (14% of respondents), **inadequate availability of low-emissions inputs** (12%), **certification schemes** (11%), and **investors/shareholders operating on a short-term timescale** (9% of respondents).

Discussing sustainability within the Board of Directors

The overwhelming majority (85%) of Board members report that **their Board has discussed sustainability over the past 12 months** (see Chart 6 – left). 75% of Board members representing small companies agree with this statement, rising to 97% of those representing large companies.

Chart 5. Factors hampering sustainability efforts

Question: Are any of these major factors hampering the efforts your company is making in the area of sustainability? (Please select all that apply)



Sustainability is usually discussed **in the full Board** (70% of responses; see Chart 6 – right). Just over a quarter of Board members (28%) report that sustainability is discussed **both in the full Board and in committees**. Very few Boards (2% of respondents) confine their discussion of sustainability to committees.

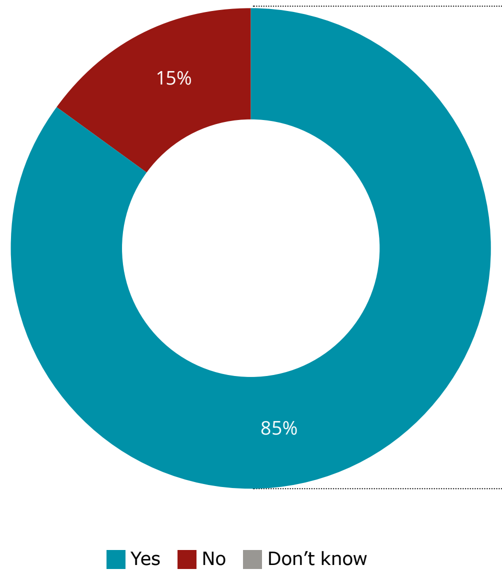
Responses vary, however, in line with company size. As swissVR Monitor II/2023 reported, small companies are less likely to have committees, so above-average numbers of small companies discuss sustainability in the full Board (86% of respondents from small companies). By contrast, Boards in large companies are more likely to discuss sustainability both in the full Board and in individual committees (53% of respondents from large companies).

Sustainability is discussed in a number of different committees (see Chart 7). Two-thirds of Board members (65%) say it is their **Strategy Committee** that discusses sustainability, suggesting that Boards see the issue primarily as a strategic one affecting the whole company rather than (just) as a specifically HR or ICT issue, for example.

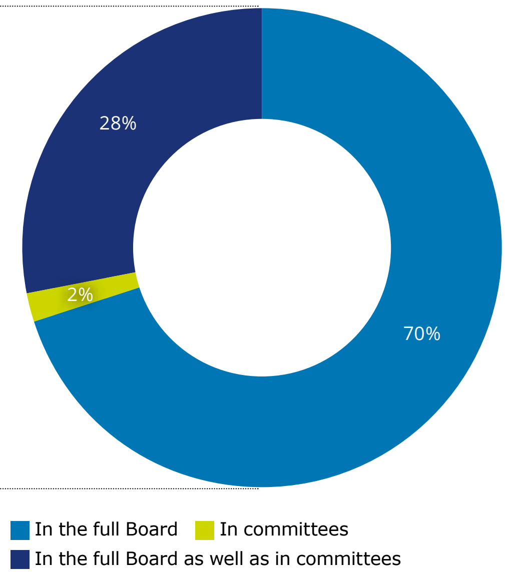
Other forums where sustainability is discussed are the **Management Committee/Board of Directors Committee/Executive Committee** (45% of respondents), the **Audit Committee** (38% of respondents) and the **Risk Committee** (38% of respondents). Around one Board in five (21%) discusses the issue within a dedicated **Sustainability Committee**, although the issue is also discussed in other committees.

Chart 6. Sustainability discussions in Boards

Question: Has your Board of Directors discussed sustainability over the last 12 months?



Question: In which forum does the Board discuss sustainability? [n = 349]



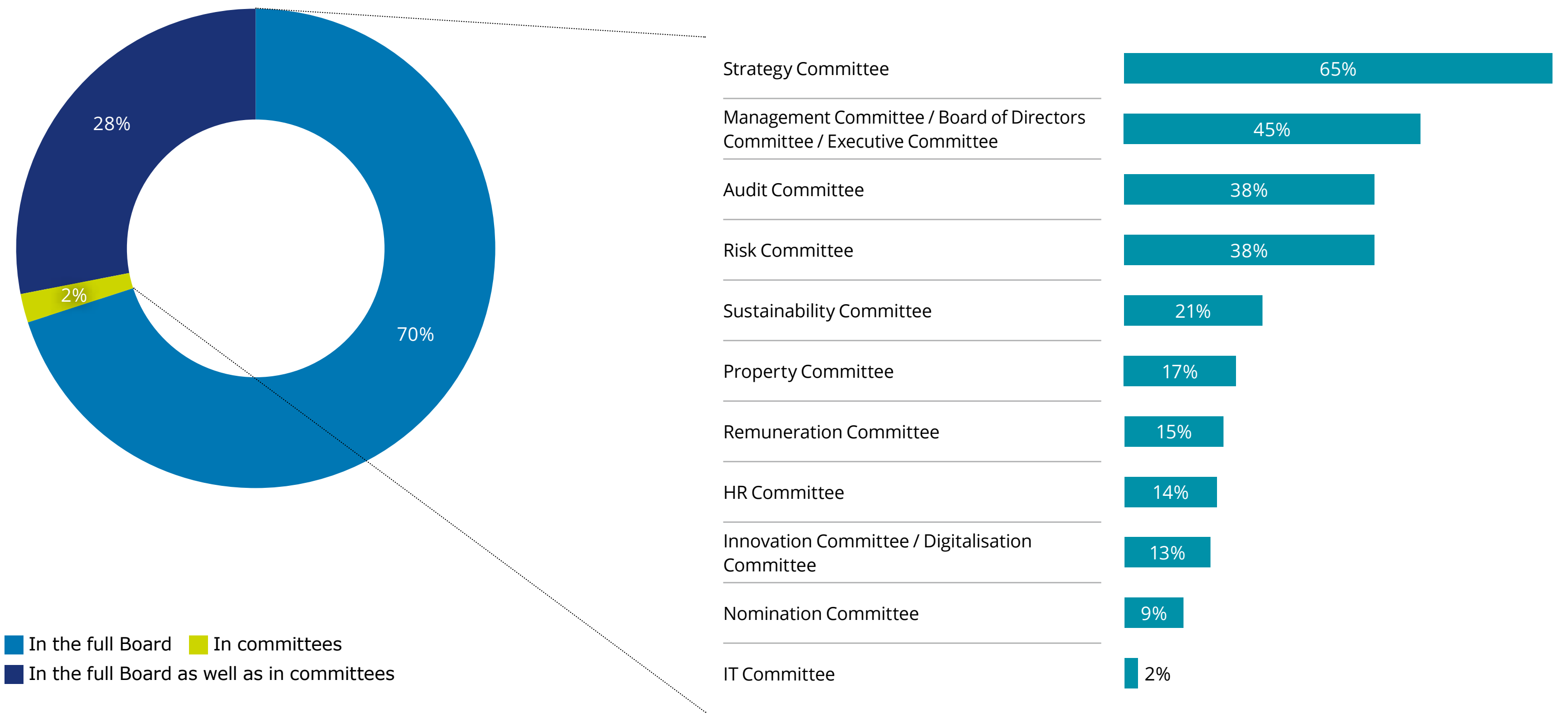
Responses to statements about the way the Board of Directors addresses sustainability paint a fragmented picture (see Chart 8). More than four-fifths of Board members (82%) strongly agree or somewhat agree that their Board **has sufficient specialist expertise to implement successful sustainability measures**. A majority also strongly agree or somewhat agree that their Board **plays an active part in determining the company's sustainability strategy** and has **defined the key sustainability issues the company should address** (78% and 70% of respondents respectively).

However, only around six out of ten Board members (60%) strongly agree or somewhat agree that **their Board takes the time it needs to tackle the issue of sustainability**, a figure that falls to just 40% of Boards in small companies. In around half of all cases (52%), survey respondents strongly agree or somewhat agree that their Board **has formulated sustainability targets for the company and measures progress towards achieving them**. Exactly 50% of Board members strongly agree or somewhat agree that their Board **receives regular and comprehensive reports from management on sustainability**; this figure falls to one-third of Boards

Chart 7. Sustainability discussions in committees

Question: In which forum does the Board discuss sustainability? [n = 349]

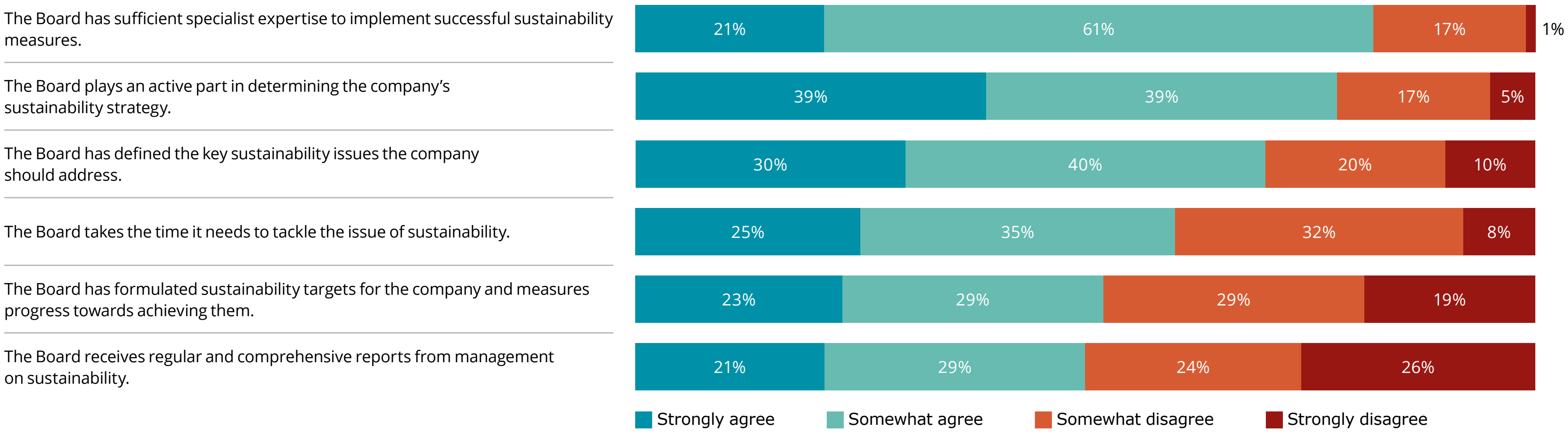
Question: Which committees are involved in discussing sustainability? (Please select all that apply) [n = 104]



in small companies. These findings indicate that there is scope for improvement in many Boards in relation to the time taken for discussion, target-setting and management reporting. A range of solutions is available to Boards. For example, some of the work on sustainability issues could be delegated to committees, relieving time pressures on the full Board. The Board of Directors along with the management team should also specify company-specific requirements for sustainability reporting.

Chart 8. Statements about sustainability issues in Boards

Question: Please rate your agreement with the following statements about your Board of Directors.



Strategic and structural issues facing the Board of Directors

Changes in the environment for the Board's work

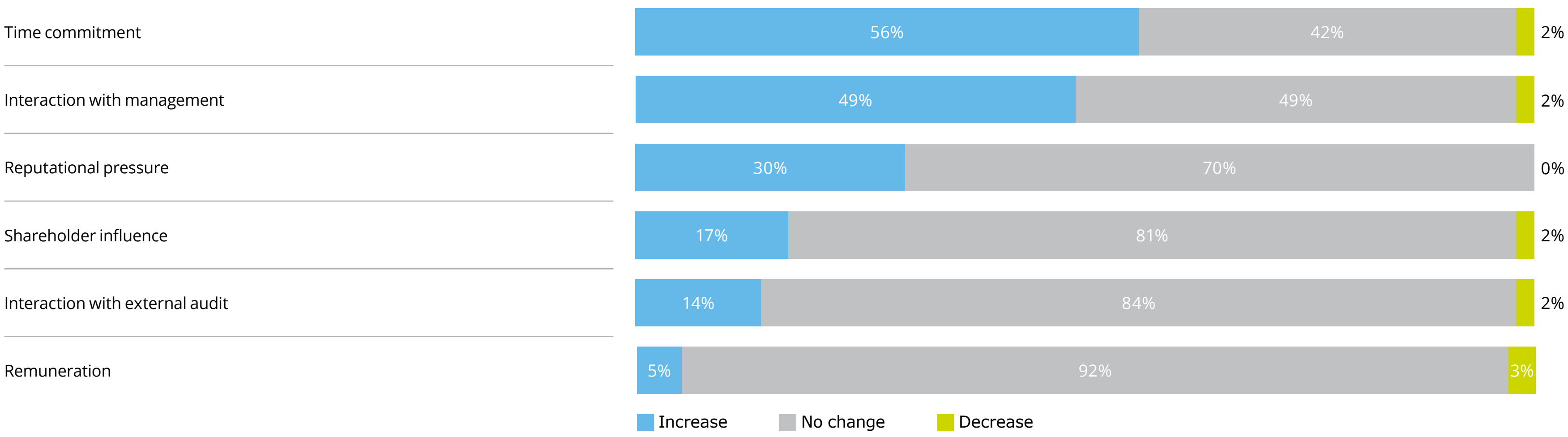
Asked about changes in their role over the past year, Board members report a number of trends (see Chart 9). More than half (56%) report that that **the time commitment** required for their mandate has increased over the last 12 months; 42% report no change, and a negligible 2% say the time commitment has decreased. This finding is similar to the two previous surveys of this issue in swissVR Monitor I/2020 and swissVR Monitor I/2022. This similarity reflects the growing complexity of the issues facing Boards, which has increased the time commitment required.

Greater interaction with management is also increasing the time commitment required of Board members. Almost half of all Board members (49%) report that this aspect of their role is taking more of their time than 12 months ago. The same proportion report no change, while just 2% of Board members report that it is taking less of their time. Here, too, the findings are nearly identical with those of swissVR Monitor I/2020 and swissVR Monitor I/2022. Explanations include the numerous crises and challenges companies have faced over recent years, including the COVID-19 pandemic, higher inflation, and wars in Ukraine and the Middle East. These pose a strategic challenge to companies while also increasing the need for co-ordination between the Board and management.

Just under one-third of Board members surveyed (30%) also believe that **reputational pressure** has increased over the past year; none believes that reputational pressure has decreased. A net balance of Board members also indicates that **shareholder influence** has increased (17% report an increase while 2% report a decrease). So too has **interaction with external audit**: 14% report this has increased while 2% report a decrease. **Remuneration** for Board members has increased, according to 5% of respondents, but decreased according to 3% of respondents.

Chart 9. Changes in selected factors regarding the Board of Directors compared to the previous year

Question: How has the importance of the following aspects of your mandate changed over the past year?



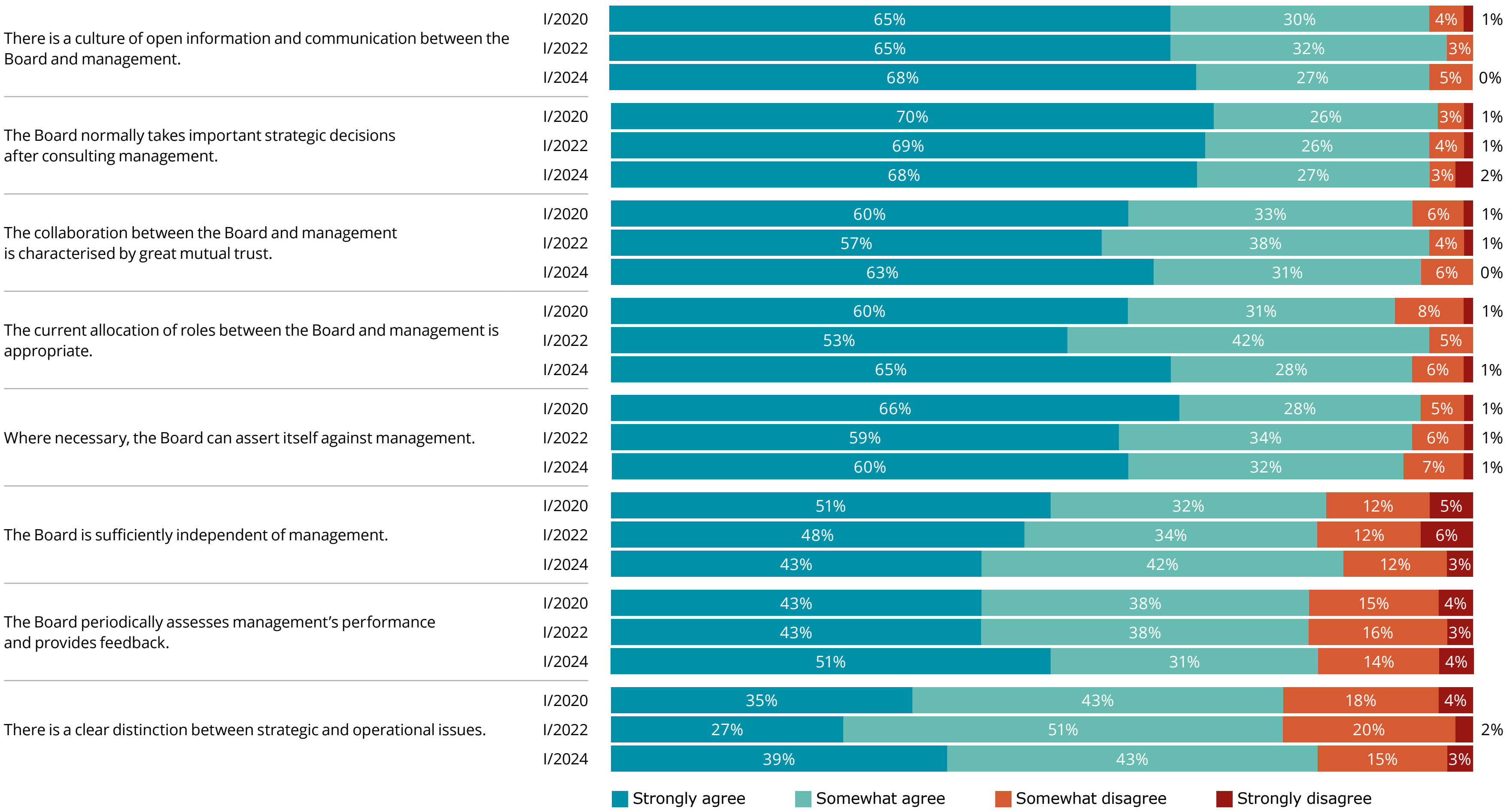
Co-operation between the Board of Directors and management

Most survey respondents rate co-operation between the Board of Directors and management as positive (see Chart 10). A majority of Board members therefore strongly agree or somewhat agree with all the statements listed here. These findings also reflect the findings of swissVR Monitor I/2020 and swissVR Monitor I/2022, underscoring the validity and robustness of the most recent findings.

Nearly all respondents (95%) strongly agree or somewhat agree that **there is a culture of open information and communication** between

Chart 10. Cooperation between Board of Directors and management [swissVR Monitor I/2020, I/2022, and I/2024]

Question: How do you rate the following statements on cooperation between the Board of Directors and the management of your company?



the Board and management. The picture is similar in relation to the statements relating to whether **the Board normally takes important strategic decisions after consulting management** (95% strongly agree or somewhat agree) and whether **collaboration between the Board and management is characterised by great mutual trust** (94% strongly agree or somewhat agree). A majority of Board members also strongly agree or somewhat agree that the **current allocation of roles between the Board and management is appropriate** and that **where necessary, the Board can assert itself in relation to management** (93% and 92% respectively strongly agree or somewhat agree).

Rather fewer Board members strongly agree or somewhat agree that **the Board is sufficiently independent of management** (85% of respondents), that **their Board periodically assesses management's performance and provides feedback** (82%), and that there is a **clear distinction between strategic and operational issues** (82%). Findings in relation to these three statements vary according to company size. Board members from large companies are markedly more likely to agree with these statements than those from small companies. One probable reason is that in small companies, the CEO is often also the President of the Board of Directors. This means that is difficult or, in some cases, makes little sense

Chart 11. Key issues for the Board of Directors

Questions: What have been the most important issues that your Board of Directors has had to tackle over the last 12 months?
In your view, what will be the most important issues that your Board of Directors will have to tackle over the next 12 months?

Rank I/2024		Rank I/2023	Next 12 months	Issues
1 (33%)	▲	**4** (28%)	**1** (37%)	**Talent (recruitment, retention, etc.)**
2 (28%)	▼	**1** (36%)	**4** (22%)	**Formulating a new corporate strategy**
3 (27%)	▶	**3** (33%)	**4** (22%)	**Risk management**
4 (26%)	▼	**2** (34%)	**3** (27%)	**Responding to market developments / behaviour of competitors**
4 (26%)	▲	**9** (21%)	**2** (29%)	**Improving efficiency / optimising internal processes**
6 (25%)	▲	**7** (24%)	**4** (22%)	**HR challenges at management level**
7 (23%)	▲	**–** (15%)	**9** (21%)	**Security management, including cyber resilience**
8 (22%)	▼	**6** (25%)	**4** (22%)	**Digitalisation / robotics / automation**
9 (21%)	▲	**10** (18%)	**–** (14%)	**Compliance (with legislation and internal codes of conduct)**
9 (21%)	▲	**10** (18%)	**–** (17%)	**Corporate culture**

"–" means "not one of the top-10 issues". Strategy Organisation & processes HR Compliance & risk to have an independent Board, to have the Board assess management's performance, or to make a clear distinction between 'operational' and 'strategic' issues.

Key issues for the Board of Directors

As part of their mandate, Board members address a very wide range of issues, including strategy, organisation and processes, human resources, and compliance and risk (see Chart 11). Each year, swissVR Monitor asks Board members to choose up to five of the most important issues their Board has had to tackle over the last 12 months and the most important issues it will have to tackle over the next 12 months.

Over the past 12 months, **talent management** has been by far the most commonly cited issue (33% of Board members), followed by **formulating a new corporate strategy** (28%) and **risk management** (27%). In previous surveys, talent management has consistently ranked high on the list of issues reported by Board members, but it now tops that list for the first time. This demonstrates the impact of the current skills and labour shortage, caused by demographic change among other things. Board members from the corporate services and ICT sectors are particularly likely to cite talent management as the most important issue facing their Board (53% and 46% of respondents from these sectors respectively).

Also growing in importance as issues for the Board are **increasing efficiency/optimising internal processes** (26% of responses; this issue now ranks fourth on the list, up from ninth in H2 2023) and **security management, including cyber resilience** (23% of responses; this issue was not previously in the list of top 10 issues but now ranks seventh). Cyber resilience was the focus topic of swissVR Monitor II/2023.

Asked about the main issues facing their Board over the next 12 months, 37% of respondents cite **talent management**. In the short term, Boards will therefore continue to be challenged by the skills and labour shortage. This is followed in second place by **improving efficiency/optimising internal processes** (29% of respondents) and, in third place, by **responding to market developments/behaviour of competitors** (27% of respondents). 22% of Board members also believe that **digitalisation/robotics/automation** will be the most important issue they have to tackle over the next 12 months, rising to fourth place in the list from eighth place currently (sixth place in H1 2023).

Interviews

The role of the Board in relation to sustainability

Regula Wallimann, member of the Board of Adecco Group, Helvetia Group, Straumann Group, Swissgrid and Swissport

"Success starts with having sustainability as a regular item on the agenda for Board meetings. If the Board sets realistic and ambitious goals and gives management a clear mandate to implement them, it is well on the way to succeeding. I think it is better to focus on just a few goals and to make genuine and substantial progress in those areas."

Regula Wallimann is a financial and audit expert and serves as an independent Board member. She is Chair of the Finance and Risk Committee of a number of company Boards. Her Board mandates include both listed companies (Straumann, Adecco, and Helvetia) and private companies (Swissgrid and Swissport). Regula Wallimann graduated in economics from the University of St. Gallen (lic.oec HSG) and has Swiss and US audit qualifications. She previously worked as a Global Partner – Audit with KPMG, taking responsibility particularly for large international companies, listed companies and private industrial firms. Her expertise covers finance, financial and non-financial reporting, compliance, governance, risk management, and internal and external audit. Regula Wallimann regularly lectures on Board courses offered by the University of St. Gallen.

swissVR Monitor: What is the Board of Directors' role in relation to sustainability?

Regula Wallimann: The Board of Directors is responsible for strategy across the company, so sustainability needs to be embedded in that strategy across all relevant dimensions – environmental, social and governance. The Board works with management to define appropriate and achievable targets across these dimensions. It can also provide additional impetus and support with meeting goals and targets. I think it is important that sustainability is seen not as a risk to the company but primarily as an opportunity.

Committee members have more time for discussion and can address issues in greater depth, so it may be sensible to do the preparatory work on some issues within committees, such as the Audit Committee in relation to risk management or regulatory reporting or the HR Committee in relation to employment goals. Ultimately, though, the full Board is responsible for decision-making and for overseeing and implementing the company's sustainability strategy.

Regular external and internal communications on sustainability – for example, on social media and the company's website – can boost the company's reputation. Sustainable corporate management and a robust sustainability strategy give companies a competitive advantage. And they are attractive to future employees, enhancing the company's position in the labour market.

swissVR Monitor: What steps do you advise Boards to take to ensure their company is environmentally, socially and economically sustainable?

Regula Wallimann: Businesses and sectors differ in their level of exposure to environmental concerns, but I think it's important that manufacturing companies review their future investment in environmentally sustainable production processes and technologies. Social and economic sustainability is crucial for all companies, though. Employees these days want to work for a company that cares about the welfare and development of its staff, so it is important to drive progress on these issues and to invest to produce tangible results. Intense pressure on the labour market means companies have to position themselves differentially from their competitors. And they now struggle to recruit skilled workers, whereas the reverse has traditionally been the case. For all these reasons, the Board needs to address these issues and communicate regularly on what it is doing and what progress it is making.

swissVR Monitor: What do you think constitutes appropriate management reporting on sustainability?

Regula Wallimann: Ideally, management will report regularly – once or twice a year – to the Board of Directors on the progress it is making towards achieving its targets and on the obstacles it faces. I myself would like to see a succinct but informative system of reporting, perhaps using a traffic light system, so that I as a Board member can see whether the company is on green, amber or red in relation to a particular issue. Where targets are proving very difficult to meet, I would like to understand the reasons for that and to be briefed on how management plans to improve the situation. Of course, targets are sometimes over-ambitious and need to be adjusted, but they should generally be ambitious and facilitate real progress. In terms of both internal and external communications, it is important that companies actually describe what is being done rather than simply announce goals that are not then linked to appropriate activities.

swissVR Monitor: The Straumann Group has made sustainability one of its strategic priorities. How has this been reflected at Board level? And how has it been handled, especially compared with your other Board mandates?

Regula Wallimann: In early 2021, the Straumann Group set up an Environmental, Social and Governance (ESG) Taskforce to give fresh momentum in this area. The taskforce comprised three Board members and selected members of the management team who worked closely for two years with the Sustainability Team and the Communications Team. It reviewed and revised the Group's sustainability strategy, set new goals, and strengthened governance in this area. In 2023, these areas were then delegated to existing Board committees, which took on responsibility for ensuring progress. Setting up a time-limited taskforce created fresh impetus within the organisation and gave sustainability a much higher profile than it had previously had. This boosted understanding of both how and why the company sets targets and works towards achieving them. We really believe that our ambitious sustainability strategy gives us a competitive advantage.

swissVR Monitor: Thinking about the sustainability process in your other Board mandates, which factors do you think help ensure success?

Regula Wallimann: Success starts with having sustainability as a regular item on the agenda for Board meetings. If the Board sets realistic and ambitious goals and gives management a clear mandate to implement them, it is well on the way to succeeding. It's important for the Board to see and understand whether the company is making the progress it expects. And comparison with competitors helps ensure the company stays on track and can make and sustain progress. In my view, the Board is also responsible for providing support to management in focusing on the areas that really matter: it's all too easy to get lost in a welter of targets and regulatory obligations. I think it's better to focus on just a few goals and to make genuine and substantial progress in those areas. Success will then spur the company on to even better performance.

Experience and expertise in sustainability within the Board

Barbara Dubach, member of the Board of ESG4Boards, swisscleantech and PUSCH Praktischer Umweltschutz and President of the Board of Holzheizkraftwerk Aubrugg

"It is strategically important for the Board to have both experience and expertise in the area of sustainability. Board members need the right level of expertise to be able to challenge management on sustainability strategy and goals and to monitor achievement of those goals."

swissVR Monitor: Why should members of Boards concern themselves with sustainability?

Barbara Dubach: The work of Boards is increasingly shaped by the need to respond to global challenges including climate change and the human rights aspects of value chains. Most recently, changes in legislation and regulation and pressure from shareholders, investors and NGOs have increased the importance and profile of sustainability. One example is the lawsuit launched in March 2022 by Shell shareholder ClientEarth. If this action were successful, companies and their Boards would be under a statutory obligation to take appropriate account of the impact their activities have on society and the environment.

Implementation of the indirect counter-proposal to the Swiss Responsible Business Initiative (OR 964a) also means that reports on non-financial areas[1] must be approved by a company's Board of Directors and presented to its General Meeting. And following implementation of the EU's Corporate Sustainability Reporting Directive (CSRD), some EU Member States (including France) are planning to prosecute Board members if, for example, their company's sustainability report has not been externally audited.

Sustainability is now one of the key factors in long-term business success, with a significant impact on company performance, risk management and reputation. And that's why sustainability needs to be right at the top of the agenda for the Board of Directors.

Barbara Dubach has been a passionate exponent of sustainability for many years. As founder and CEO of sustainable think-tank engageability, she created a competence centre for sustainability and co-creation. Since 1 October 2023, she has also been Executive Director of Innovate 4 Nature, an accelerator for environmental solutions. Barbara Dubach is President of the Board of Holzheizkraftwerk Aubrugg. She also serves on the Supervisory Board of Pusch, Alternative Bank Schweiz's Council for Sustainable Investment, and Swisscleantech and is the co-initiator of ESG4Boards. Barbara Dubach has many years' international experience in industry and management including as Senior Vice-President of Holcim Ltd., as Director of the World Business Council for Sustainable Development (WBCSD), and as an environmental economist with the Swiss Federal Office for the Environment. Her academic qualifications include a degree in economics from the University of Zurich and a PhD from the University of St. Gallen on 'Managing environmental communication in multinational companies'.

[1] Since 1 January 2023, OR 964a has entered into force for listed companies and financial institutions with more than 500 full-time equivalent posts on an annual average in two successive financial years and a balance sheet total of more than CHF 20 million or sales revenue of more than CHF 40 million in two successive financial years.

swissVR Monitor: How important do you think Sustainability Committees are to their Boards?

Barbara Dubach: Sustainability Committees offer scope for integrating aspects of sustainability into the work of the Board. However, there are other ways of achieving this.[2] Sustainability can, for example, be made an integral part of the full range of Board activities and decision-making. It can be integrated into the responsibilities of one or more existing Board committees. And finally, Boards can specifically appoint a member with the necessary expertise and experience in sustainability.

To ensure that sustainability issues are properly addressed, Boards need to integrate them fully into Board meetings, set up a Sustainability Committee or ensure that other existing committees consider these issues, and co-opt or appoint specialists with long experience of sustainability and management. Transparent reporting on the governance structure is crucial.

swissVR Monitor: How important are experience and expertise in sustainability within the Board?

Barbara Dubach: It is strategically important for the Board to have both experience and expertise in this area. Board members need the right level of expertise to be able to challenge management on sustainability strategy and goals and to monitor achievement of those goals.

When it comes to statutory targets and reporting requirements, there is a risk that management teams and Boards focus on delivering the absolute minimum. But even compliance with regulatory requirements and risk management is no guarantee of long-term corporate success. As the body that shapes company strategy, the Board plays a crucial role in identifying new business opportunities that also help tackle current challenges, such as climate change. It is vital to ensure that stakeholders and interest groups are involved effectively so that companies continue to fulfil their responsibilities to these groups.

swissVR Monitor: How would you rate the levels of experience and expertise that Boards currently have in this area?

Barbara Dubach: Many Boards lack expertise in sustainability, whereas most have good levels of financial and legal expertise. Our analysis in the area of focused reporting shows, for example, that just 23% of Board members from 151 companies have an appropriate level of expertise in sustainability. And the most recent issue of 'Reporting Matters' suggests that only 16% of members of the World Business Council for Sustainable Development (WBCSD) have relevant expertise at Board level. There is an urgent need for improvement here, and ESG4Boards (esg4boards.org) is involved in closing this gap. Our aim is that by 2030, 80% of Swiss companies with more than 250 employees will have embedded ESG as part of the work of their Board and demonstrated to their workforce that they have the necessary skills and expertise. Building such expertise is absolutely crucial because sustainability is ever more complex and requires in-depth knowledge.

swissVR Monitor: What is your advice for Boards that struggle to deal with sustainability issues or have little experience and expertise in this area?

Barbara Dubach: Research studies show that the demands on Boards are increasing and that Boards need to keep on top of the issue to ensure that they keep abreast of the regulatory framework and the challenges and opportunities facing their company. This will also ensure that Boards are able to respond promptly, fulfilling their duty of care and minimising risk.

One staged approach would be to organise workshops, providing opportunities for Board members to talk to experts and external stakeholders, enable them to take part in training (such as in UN Global Compact or Competent Boards), and to appoint experts with years of management and sustainability experience. ESG4Boards supports initiatives to ensure that ESG expertise is widely anchored in Boards of Directors by 2030.

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2 One is designing sustainability governance (Corporate Governance Centre, INSEAD 2022).

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