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Sustainable entrepreneurship in Switzerland

The opportunity for a new legal framework

White Paper

This paper has been developed by B Lab (Switzerland), a Swiss Foundation of Public Utility. B Lab (Switzerland) is part of the international B Lab movement, whose aim is to transform the global economy to benefit all people, communities, and the planet. B Lab creates standards, policies, tools, and programs that shift the behavior, culture, and structural underpinnings of our economic system. We also mobilize our community to join collective actions to address society's most critical challenges.

The global B Corp community, encompassing nearly 6700 B Corps across 90 countries and 160 industries, represents a significant commitment to balancing profit with purpose. The adoption of B Impact Assessment and the SDG Action Manager by over 300,000 companies globally indicates a growing recognition of responsible and sustainable business practices.

Switzerland has demonstrated notable progress with 100 Swiss incorporated and over 280 active certified B Corps. The Swiss Triple Impact Program, launched in 2020, has further bolstered this commitment with over 400 companies participating. This engagement suggests Swiss businesses' increasing alignment with sustainable practices and global sustainability goals.

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From June 2023, we will be initiating an additional cycle of review and consultation, aimed at further diversifying our esteemed cohort of experts, which notably encompasses representatives from Swiss institutions. We are deeply grateful for their preliminary inputs and eagerly look forward to their continued involvement in this initiative.

For inquiries or expressions of interest in joining our efforts, we kindly request that you direct your correspondence to policyteam@blab-switzerland.ch.

What is "Sustainable Entrepreneurship"?

We define Sustainable Entrepreneurship as a forward-thinking business approach that targets commercial companies and supports them with integrating social, environmental, and stakeholder considerations into their governance, strategies and operations. Sustainable entrepreneurs aspire to create viable market solutions and to act as change agents who realize and exploit opportunities for sustainable development (1). Sustainable entrepreneurship requires impact monitoring of business operations to ensure that short-term profits don't turn into long-term liabilities. This approach aligns with Switzerland's commitments to Agenda 2030 for Sustainable Development and the Paris Agreement, supporting the nation's goals in sustainability and climate action.

To facilitate sustainable entrepreneurship, a robust legal framework is necessary to encourage and guide companies in embracing responsible practices. Such a framework would not only incentivize businesses to prioritize sustainability but also foster innovation and financial viability. In essence, sustainable entrepreneurship strikes a balance between prosperity, people, and planet, promoting a more resilient and equitable future in line with Switzerland's ambitions on the global stage.

Sustainable entrepreneurship is not the same as social entrepreneurship. Social enterprises are typically entities which combine a positive social impact goal with an economic activity and whose main purpose is not the maximization of profit for the owners but its reinvestment for their continued attainment of the social goal (2).

Foreword

The year 2022 was marked by geopolitical and global economic uncertainties. The optimism with which we started the new calendar year proved to be short-lived. Exacerbated by unpredictable crises such as the pandemic, the Russia-Ukraine war, and their consequences, the need for profound, systemic changes to our economic and social models has only become more evident. Never before have leaders been under so much pressure to outline a plan for delivering a better world to future generations.

The challenges are numerous, and have been identified for years. From fighting environmental degradation and climate change to reducing social and economic equalities, we know what we need to do. There may be different opinions on the 'how', but one thing is clear: re-thinking the way we operate is too enormous of a challenge to stand a chance to be realized without a concerted effort. Governments, Parliaments, NGOs, academia, the private sector and all the other parts of civil society must coordinate actions while playing their distinctive roles.

In 2006, a group of entrepreneurs, investors, and lawyers established B Lab, a non-profit organization with a focus on promoting a better way to do business: better for workers, better for communities, and better for the planet. Over the years, B Lab has developed a responsible company model known as the B Corporation. The B Corp certification provides verification for companies based on social and environmental impact measurement, stakeholder governance accountability, and transparency, ensuring that they demonstrate strong management of their social and environmental practices.

Today, there are 6,778 certified B Corporations (or B Corps) operating in 90 countries, with 100 of them headquartered in Switzerland. B Corps significantly exceed the average in terms of social and environmental responsibility. For instance, they are more likely to be carbon neutral, to tie executive compensation to societal performance, and to have diversified boards of directors (3).

The B Impact Assessment (BIA) is a standard and a free tool created by B Lab to measure sustainable performance. It is currently utilized by over 300,000 organizations worldwide.

Additionally, B Lab manages the Swiss Triple Impact, a unique national program that enables Swiss companies to evaluate their contributions to the UN Sustainable Development Goals, and the Swiss Boards for Agenda 2030, an alliance of Swiss CEOs and board members committed to driving sustainability and business resilience through high levels of board accountability. The B Lab Switzerland ecosystem comprises more than 600 companies and over 1,000 individuals who participate in educational programs to further the cause of sustainable business practices.

Systemic changes require policy and regulatory frameworks providing clarity on the goals and incentives to achieve them. The hope is on the rise. With billions of dollars of tax credits for clean energy and low-carbon technologies over the next decade, last year's US Inflation Reduction Act is the most important climate action in American history. This year, the European Union unveiled the Green Deal Industrial Plan, a framework aimed at creating a more supportive environment for the scaling up of the EU's manufacturing capacity for the net-zero technologies and products required to meet Europe's climate targets. Earlier this year, UN Secretary-General, António Guterres, said that any business with a 2050 net zero pledge needs to have a transition plan in place by September, containing "credible and ambitious targets for 2025 and 2030" (4). And the list goes on.

Significantly, regulators are responding to the growing demand from the public, and from younger generations in particular, for more sustainable practices. Over a billion people celebrated Earth Day on April 22, with participants from 190 different countries engaging in various activities, such as parades, mass die-ins, and four-meter-tall floats, urging decision-makers to "Invest in Our Planet." This increasing citizen activism underscores the importance of businesses committing to sustainable practices that protect and nurture our planet.

In recent years, Switzerland has implemented a number of regulations that move in the right direction. Starting this year, public companies, banks, and insurance firms with 500 or more employees and at least CHF 20 million in total assets or more than CHF 40 million in turnover are required to publicly report on non-financial matters. Swiss Parliament is, as we speak, examining a proposal addressing Circular Economy (5).

However, there is still much to be done. The numerous adopted and upcoming EU regulations are set to profoundly impact Swiss companies. International traction from sustainable finance is likely to lead to further rules in Switzerland. Recruiting skilled and motivated workforce will become a greater challenge. The Swiss private sector will need to be up to the task.

How?

Businesses that commit to high standards of sustainability, accountability, and transparency need to be recognized and incentivized.

Drawing from the experiences of B Corps and B Lab's ecosystem of companies, academia, and NGOs, this paper highlights the areas where additional legislation would significantly accelerate the transition to a green and competitive business environment in Switzerland. We have a concrete proposal and this paper outlines it. Our goal is to share this proposal as widely as possible. Starting in June 2023, we will reach out to economic organizations, associations, companies and civil society actors to build a supporting coalition:

- The first step will be to engage with the largest economic and social organizations in Switzerland.
- Building on the over 600 companies including B Corps and other active companies in the Swiss market, we then plan to launch a Manifesto calling all companies operating in Switzerland to join our call.
- Last, we plan to set in motion a public sensibilization campaign next year, opening our coalition to all sectors of Swiss society.

My fervent wish is that this paper ignites a multitude of passionate discussions and evokes strong responses. But above all else, I yearn for it to inspire concrete actions, foster collaborative efforts, and engage policymakers in the pursuit of transformative change. This is the urgent call of consumers, workers, and citizens who implore us to take meaningful steps towards a brighter future. We must listen to their voices, unite our strengths, and act, for their well-being and the well-being of generations to come. Our collective efforts should aim to create resilient and adaptive economic behavior that is harmoniously aligned with our planet's boundaries and addresses social inequality head-on.

Together, we can build a more sustainable, equitable, and prosperous world for all.

Jonathan Normand

Founder & CEO, B Lab (Switzerland) Foundation

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2030 Sustainable Development Strategy

The 2030 SDS sets out the guidelines for Switzerland's sustainability policy and establishes sustainable development as an important requirement for all federal policy areas. The Strategy now has a timeframe of ten years instead of the usual four. The 2030 Agenda for Sustainable Development (2030 Agenda) with its 17 global Sustainable Development Goals (SDGs) provides the reference framework.

Alliance of Swiss CEOs

CEOs and boards play a central role in providing lasting solutions to the social and environmental challenges we face. The purpose of the Swiss Board for Agenda 2030 ('SBA2030) is to create an alliance of truly committed companies to drive sustainability at board level.

B Corporation

Certified benefit corporations are for-profit companies that achieve B Lab certification and focus on creating sustainable solutions for social, economic, and environmental issues through their business activities. B Corp certification system is available to every business, regardless of size or country.

Benefit Corporation

Benefit Corporations are for-profit corporations whose purpose, in addition to generating profits, is to consider stakeholder interests and produce a positive impact on the environment, society, the workers and the community in which they operate (the so-called 'public benefit'). They are a legal form or legal qualification whose exact implementation differs slightly from jurisdiction to jurisdiction and is not to be confused with B Corporations. European variants of US Benefit Corporations include *Sociétâ Benefit* (IT), *Société à mission* (FR), *Sociedades de Beneficio e Interés Común* (Spain).

Circular Economy

A circular economy is a transformative economy redefining production and consumption patterns, inspired by ecosystems principles and restorative by design, which increases resilience, eliminates waste and creates shared value through an enhanced circulation of material and immaterial flows.

CSDDD

European Commission's proposed Corporate Sustainability Due Diligence Directive. This Directive, if adopted, is going to establish a corporate due diligence duty, the core elements of which consist in identifying, bringing to an end, preventing, mitigating and accounting for negative human rights and environmental impacts in the company's own operations, their subsidiaries and their value chains. The Directive also introduces duties for the directors of the EU companies covered.

CSRD

The EU Corporate Sustainability Reporting Directive, applicable from 2024 for large listed companies, requires companies to report on the impact of corporate activities on the environment and society, and provides for an audit (assurance) obligation in relation to reported information.

It's part of a broader regulatory effort which aims at reorienting capital towards sustainable activities and help finance the European Green Deal. Building on the Sustainable Finance Disclosure Regulations (SFDR) and linking to the EU Taxonomy, the CSRD is intended to facilitate transparency and help stakeholders assess investment risks associated with climate change and other sustainability issues.

Double Materiality

Double materiality takes the concept of materiality in sustainability reporting one step further. According to double materiality, a company must report both on how its business is affected by sustainability issues ("outside in") and how their activities impact society and the environment ("inside out").

ESRS

The European Sustainability Reporting Standards are standards that define the rules of the Corporate Sustainability Reporting Directive (CSRD). They set the structure and disclosure requirements that companies, banks and insurance companies in scope will need to report on.

European Green Deal

The EU's Green Deal is the main new growth strategy to transition the EU economy to a sustainable economic model. Presented in December 2019, the overarching objective of the EU Green Deal is for the EU to become the first climate neutral continent by 2050, resulting in a cleaner environment, more affordable energy, smarter transport, new jobs and an overall better quality of life.

EU Taxonomy

The EU taxonomy is a classification system adopted in July 2020 and seeking to provide clarity for companies, capital markets, and policy makers on which economic activities are environmentally sustainable. Environmentally sustainable economic activities are described as those which make a substantial contribution to at least one of the EU's climate and environmental objectives, while at the same time not significantly harming any of these objectives and meeting minimum safeguards.

Green Deal Industrial Plan

The European Green Deal aims to make the European Union climate neutral by 2050. The European Green Deal Industrial Plan, published on 1 February 2023, is the most recently proposed initiative to support this objective while, at the same time, seeking to enhance the competitiveness of Europe's net-zero industry. Most crucially, the Plan foresees more relaxed rules for Member States to use subsidies and tax breaks.

Planetary Boundaries

Planetary boundaries are thresholds within which humanity can survive, develop and thrive for generations to come. These nine boundaries created a safe operating limit for survival and are: climate change, ocean acidification, stratospheric ozone depletion, biogeochemical flows in the nitrogen (N) cycle and phosphorus (P) cycle, global freshwater use, land system change, the erosion of biosphere integrity, chemical pollution.

SFDR

The Sustainable Finance Disclosure Regulation (SFDR) of the EU imposes mandatory ESG disclosure obligations for asset managers and other financial markets participants with substantive provisions of the regulation effective from 10 March 2021.

Stakeholder governance

The failure of shareholder primacy is increasingly acknowledged by business and finance leaders around the world. Many are now calling for a shift to corporate governance that considers all stakeholders, commonly known as stakeholder governance or benefit governance. This kind of corporate governance ensures that companies are required to consider the interest of their stakeholders — customers, workers, suppliers, communities, investors, and the environment — in their decision making.

Sustainable finance

Sustainable finance is defined as investment decisions that take into account the environmental, social, and governance (ESG) factors of an economic activity or project.

Sustainable growth

Economic growth meeting the needs of the present without compromising the ability of future generations to meet their own needs.

UN 2030 Agenda for Sustainable Development

The 17 Sustainable Development Goals (SDGs), with their 169 targets, form the core of the 2030 Agenda. They balance the economic, social and ecological dimensions of sustainable development, and place the fight against poverty and sustainable development on the same agenda for the first time.

US Inflation Reduction Act

The Inflation Reduction Act is a US law which includes what can be considered as the most significant piece of climate legislation in the history of the United States. It will deploy nearly $400 billion over the coming decade to slash carbon emissions. By lowering the cost of clean energy technologies, the law can accelerate their deployment not only at home but abroad.

Introduction

This paper seeks to answer the question of how Swiss policy-makers can help create an enabling and encouraging environment for sustainable business in Switzerland, including the proposal of a legal framework that supports such endeavor.

Switzerland's commitment to sustainable development is enshrined in Articles 2 and 73 of the Federal Constitution (6). Sustainable development is a central pillar of Switzerland's Education, Research and Innovation policy (7). By adopting the 2030 Agenda for Sustainable Development, Switzerland has also made an international commitment to an environmentally and socially sustainable world in accordance with the concept of social and planetary boundaries (8). Both transversal and universal in nature, the 2030 Agenda encompasses fields as diverse as decent work (SDG 8), biodiversity (SDGs 14 and 15), the climate (SDG 13), gender equality (SDG 5) and fair trade (SDG 17). These areas all influence each other, and their effects are felt beyond national borders. It is key that these interrelationships are recognised and factored into decision-making processes. Connecting policy areas is a key requirement for progress on SDGs (9). To offer just one example, in the future, trade policy must not be formulated without first considering its impacts on biodiversity or decent work, and not just in Switzerland, but everywhere. The 2030 Agenda must therefore be accepted as the reference framework for all fields of policy, all sectors of the economy, and all government offices.

In this context, a new vision has emerged that re-interprets the private sector as having a specific and important role (10) in creating profitable solutions for the problems of people and planet, while avoiding profiting from causing detriments to customers, suppliers, employees and communities, the environment and society at large (11). The economic, social and environmental dimensions of the private sector's activities can no longer be seen as mutually exclusive. Built in leading policy circles first, this awareness has reached general populations as well, including in Switzerland. For example, a 2023 survey run commissioned by the Federation of Migros Cooperatives shows that the majority of the Swiss population expect business to engage, in equal measure, on the economic, social and environmental domains (12). Globally, the 2022 Edelman Trust Barometer (13) demonstrates that societal expectations from business are higher than ever, with a majority of people expecting business to play a larger role on climate change, economic inequality, workforce reskilling and addressing racial injustice. Matters surrounding climate change, environmental impact and social indicators are now reaching deeper into financial markets and investor portfolios.

Many companies are stepping up to the challenge. Certified B Corporations. for example, are subject to a rigorous assessment measuring a company's entire social and environmental performance, and its impact on workers, communities, environment, and customers. Once largely made up of smaller businesses, the pool of B Corps now also includes major companies — from Nespresso to Lombard Odier, Weleda and Danone (14). For the last 17 years, the B Corp movement has promoted principles, guidelines, assessment and certification tools, and the emergence of a pro-active and enthusiastic community around purpose-driven companies. To certify as B Corp, a company must, in particular, amend its articles of association to legally commit to creating a material positive impact on society and the environment through its business and operations and to considering 'stakeholder interests' – including shareholders, customers, workers, suppliers, communities, the environment and society as a whole (15).

Other companies will follow, but how fast? According to a 2022 survey run by Deloitte among 2,016 C-level executives globally (16), only 12% of Swiss executives said that the private sector is “very serious” about addressing climate change, compared to 29% globally, and only 49% indicated that changing regulatory environment increased their organization’s sustainability action, vs 65% globally.

Today, embedding social, environmental and governance goals in legislation is a necessary further step to provide clear guidance to companies, and to create a favourable environment that will push more and more businesses to embrace this unavoidable path. In all the most advanced countries around the world, policy and legislation are playing a crucial role in accelerating the transition to a sustainable economy, complementing voluntary standards and private sector initiatives. Such policies include tax incentives that drive a faster transition to sustainable models, sustainable procurement practices, and other tools to promote sustainable entrepreneurship.

Switzerland should seize the opportunity to bank on existing best practices and further innovate. By officially and rigorously recognizing businesses that adhere to higher standards of accountability, transparency, and stakeholder involvement, a 'culture of sustainability' can be fostered more rapidly.

This paper presents a concrete set of ideas on how to achieve this, including:

- A summary of legislative actions undertaken by other countries to stimulate the growth of sustainable businesses.
- An overview of Swiss legislative efforts on sustainability.
- Recommendations for Swiss decision-makers on a new Legal Framework for Sustainable Enterprises.

Steering sustainable entrepreneurship in Switzerland

Since the 1930s, the debate concerning the purpose of the corporation has pervaded modern corporate law and economics. As largely known, the "Shareholder primacy" theory, positing that a company exists solely to maximize profits for its shareholders, traces back to economist Milton Friedman's belief that the only social responsibility of corporations was to increase profits within the bounds of the law (17). In opposition to that, the so-called stakeholder-centric approach took off in 1984 with R. Edward Freeman's seminal book 'Strategic Management: A Stakeholder Approach' (18). A stakeholder-centric approach recognizes the interconnectedness of stakeholders and views successful business strategies as those integrating the interests of all stakeholders, rather than maximizing the position of one group.

In 2019, the Business Roundtable —a group of prominent CEOs of companies, released a statement declaring that the purpose of the corporation no longer gives shareholders special consideration, but rather that corporations should serve the interests of all of their stakeholders (19). Shortly after, the COVID19 global pandemic highlighted the fragility of our systems and their interdependence. The World Economic Forum has vocally promoted 'stakeholderism' and 'stakeholder capitalism' since 2020 (20).

The stakeholder-centric approach is one of the foundational pillars of the most ambitious global agenda for our future, the United Nations Sustainable Development Goals (SDGs), also collectively known as 'Agenda 2030' and adopted by all UN Member States in 2015. In 2022, Switzerland has reiterated it has an "enormous vested interest in implementing the goals of the 2030 Agenda" and has confirmed its commitment "both at home and worldwide to *sustainability in all of its dimensions*" (emphasis added) (21). In its 2022 Agenda 2030 progress review, It also reported that Switzerland "is still not entirely on track to achieve all of the Goals by 2030", that "much action and coordination is still required", especially on "sustainable consumption and sustainable production, climate, energy and biodiversity, and equal opportunities and social cohesion", and that "it is clear that *the goals can be achieved only with resolute action across all sectoral policies* and throughout society" (emphasis added) (21).

As recognized in the progress review, the business sector can, and should be part of the solution. Indeed, the Swiss State Secretariat for Economic Affairs (SECO) has repeatedly stated that companies operating in Switzerland should not only pursue economic goals, but also "take responsibility for employees, society and the environment and comply with international environmental, labour and human rights standards." (22). Beside international guiding principles such as the OECD Guidelines for Multinational Enterprises (23) and the UN Guiding Principles on Business and Human Rights (24), SECO recognizes the role played by self-regulating instruments and private initiatives of sustainability reporting, standards and labels (22).

Swiss organizations with commercial activity and social purposes

In Switzerland, there are two categories of organizations exercising a commercial activity and committed to contributing to social or environmental goals:

1. Non-profit entities with a commercial activity. These organizations typically re-invest any profit they make into their social goal ("**social entreprises**").
2. For-profit entities which, while pursuing a goal of making profits for their shareholders, equally embrace a goal of positively impacting society and the environment, and of considering the interests of other stakeholders, next to the interest of shareholders ("**sustainable entreprises** ").

There is a third category, cooperatives, which are, in many respects, a unique phenomenon which may be considered as being hybrid between category 1 and 2 above. The purpose of cooperatives is to favor the economic, cultural, and social needs of their members. Depending on the types of members and the type of activity the cooperative is active in, they can have a more or less significant social connotation. They share some characteristics with social enterprises in so far as they reinvest all their profits into their business, and some others with sustainable enterprises, since they often pursue broader social objectives for the public good, not limited to their members.

As far as social enterprises are concerned, SENS Suisse, the main Swiss portal dedicated to social enterprises, acknowledges the lack of a national reference platform for the sector, and consequently, of reliable data (25). Citing a study conducted by the Scuola Universitaria Professionale della Svizzera Italiana (SUPSI), the Federal Social Insurance Office estimates that more than 400 entities are categorizable as social enterprises, and recognizes the usefulness and importance of social enterprises, particularly in terms of supplementing the primary labor market and strengthening other professional integration measures (26). The role of social enterprises has been recognized by a recent UN General Assembly Resolution which states that these enterprises "put into practice a set of values which are intrinsic to their functioning and consistent with care for people and planet, equality and fairness, interdependence, self-governance, transparency and accountability and the attainment of decent work and livelihoods (27).

While there is no official national database for sustainable enterprises either, the increased pressure from consumers, investors, employees and society in general for a greater business responsibility has pushed an ever-higher number of companies to embrace a purpose larger than profit. However, these enterprises do not have a central reference point, nor representation bodies.

Voluntary initiatives

Private labels and initiatives such as B Corporation (also known as B Corp), EcoEnterprise, Economy for the Common Good (ECG), and others, play an important role in addressing citizens' and investors' concrete demand for transparency and verification of the private sector's commitment to social and environmental duties. Other organizations, including SENS, Obü, APRÈS-GE/VD,Fédération Suisse des entreprises/Der Gewerbeverein, Purpose Schweiz, Swiss Association for the Promotion of Social Innovation, and many more, perform important activities of knowledge-dissemination and provide assistance to social entrepreneurs.

The B Corp certification process (28) assesses companies based on three key criteria to ensure that they meet rigorous social and environmental standards.

- First, the performance measurement criterion evaluates the overall impact of a company's operations on stakeholders, including workers, customers, suppliers, communities and the environment. This third-party review is conducted using the B Impact Assessment (BIA) standard, which examines various aspects of a company's policies, practices, and outcomes to ensure they adhere to stringent social and environmental criteria.

- Second, the accountability criterion addresses the integration of stakeholder governance into the company's legal structure. This implies that a certified B Corp must amend its governing documents to ensure that the interests of all stakeholders are considered in decision-making processes, thereby creating a commitment to balance profit and purpose.
- Lastly, the transparency criterion emphasizes the importance of making the company's performance results publicly available. All performance results of certified B Corps are published on the B Corp directory (14) demonstrating their social and environmental performance and promoting a culture of transparency and accountability.

There currently are 100 certified B Corporations headquartered in Switzerland. Data just released by B Lab Switzerland (29) show that, between 2018 and 2022, Swiss B Corps:

- experienced an average growth of 22% compared to 8% for non-B Corps. Furthemore, 81% of them anticipate an increase in revenue next year, compared to 32% for Swiss Small and Medium Enterprises (SMEs) in general;
- saw their workforce growing by 19%, compared to 2% for comparable companies;
- reported an average employee exit rate of 8% compared to 19% for SMEs in general.

Additionally, Swiss B Corps:

- include at least one woman on leadership teams in 8 cases out of ten, compared to 5,5 for medium-sized SMEs;
- have a gender pay gap of 4% for B Corps, compared to 18% for Swiss companies on average.
- enjoy stronger Governance processes, with 74% having a formal business plan and 84% having performance's formal assessment processes vs., respectively, 41% and 52% of all SMEs.

These companies have taken a strategic approach to sustainability, moving from a compliance to a competitive advantage mindset, dramatically upgrading the traditional Corporate Social Responsibility approach in that responsible and sustainable practices are no longer seen as additional activity but are integrated into short-term and long-term business strategies (30).

The road ahead

Given that this endeavor is predominantly voluntary, dedicated companies depend on their own leadership and initiative, as well as collaboration with other private organizations that offer guidance and assistance on potential strategies, relevant standards, and options for third-party evaluations and reporting formats. In the case of B Corps, these businesses gain a further advantage by becoming part of an extensive network of like-minded companies and partners, all of whom share the ambition of collaboratively driving systemic transformation in the business landscape.

By establishing new, federal rules that actively promote and encourage companies to adopt similar sustainable practices, Switzerland has the opportunity to dramatically accelerate business transformation across all sectors. This proactive approach would not only position Switzerland as a global leader in sustainable business but also help anticipate and manage EU and international regulatory pressure, to Switzerland's advantage.

Some of the benefits for companies and for citizens will include:

For companies:

- Harmonised legal framework creating legal certainty and level playing field.
- Greater customer trust and employees' commitment.
- Lower risk, including reputational.
- Increased attractiveness for talent, investors and public procurers.

- Higher attention to innovation.
- Better access to finance.
- Access to public procurements.

For citizens:

- Better protection of human rights, including labour rights.
- Healthier environment for present and future generations.
- More transparency, enabling informed choices and increased trust in businesses.
- Better access to justice for victims.

In summary, this shift will enhance, at the same time, Swiss competitiveness while increasing the likelihood of achieving the Swiss Agenda 2030 targets, ultimately benefiting both the nation and the global community.

Assessing the state of sustainability legislation in Switzerland and abroad

International Perspective

EU regulations

Under the umbrella of the European Green Deal - a framework driving the sustainable market transformation across EU economies and society (31) – the EU is adopting a series of policies and measures addressing climate change, supply chain & procurement, circular economy, sustainable finance and non-financial disclosure ("Sustainable Finance Action Plan"), access to capital and governance.

The Sustainable Finance Disclosure Regulation (SFDR), adopted in 2019, aims at improving transparency in the market for sustainable investment products, to prevent 'greenwashing' and to increase transparency around sustainability claims made by financial market participants, and include a classification system for sustainable activities, the so called 'EU Taxonomy' (32).

In December 2022, the EU passed the new Corporate Sustainability Reporting Directive (CSRD), which introduces reporting obligations under the 'double materiality' principle: companies will need to report not only on how sustainability issues might create financial risks for them (financial materiality), but also on the company's own impacts on people and the environment (impact materiality). European Sustainability Reporting Standards (ESRS) will be adopted by the European Commission by delegated act before summer 2023, based on the technical advice of the European Financial Reporting Advisory Group (EFRAG) (33).

In February 2022, the European Commission introduced a proposal for a Corporate Sustainability Due Diligence Directive (CSDDD), a broad-based reform that establishes a corporate due diligence duty for companies to identify, prevent, end or mitigate negative impacts of their operations on people and the environment. The Directive will require significantly more extensive auditing than today, and will expand potential liability. CSDDD will apply to EU companies and non-EU companies active in the EU (including Swiss companies), on the basis of certain criteria, and will affect foreign companies, including Swiss companies, that supply EU companies in scope (34).

Last, on 22 March, 2023, the European Commission adopted its proposal for a Directive on Green Claims which, together with a set of proposed changes to the Unfair Commercial Practices Directive, aims at removing barriers – such as a lack of trust in the credibility of environmental claims - hampering consumers' ability to make environmentally sustainable consumption choices (35).

Legislation on impact-businesses in foreign countries

Italy

Law no. 208 of 28 December 2015 introduced the opt-in figure of *Società Benefit* (Benefit Company) in the Italian legal system. Benefit companies are defined as those which, in the exercise of an economic activity, in addition to the purpose of dividing its profits, pursue one or more purposes of common benefit and operate in a responsible, sustainable and transparent way towards people, communities, territories and the environment, cultural and social goods and activities, cultural entities and activities, associations and other stakeholders. Benefit companies have a duty to include the chosen common benefit in the articles of association and to be administered by balancing shareholder interest with the interest of other stakeholders, and they must report annually on the activities carried out to pursue the common benefit and an impact assessment related to Governance, Workers, Other Stakeholders and the Environment to be carried out following a third-party standard. Benefit companies may use the 'Società Benefit' or 'SB' denomination next to the company name.

France

In 2019, the so-called Loi PACTE revised the definition of 200-year-old corporate purpose definition (36). Originally stipulating that a company "must have a lawful object and be created for the common interest of the partners", the new definition dictates that companies must "be managed in the interest of the corporation itself, while considering the social and environmental stakes of its activity." The law also created a new corporate form, the *Société à Mission*, reserved to companies that incorporate a social or environmental goal in its articles of association and established a committee, distinct from the board of directors, responsible for evaluating the pursuit of the 'mission'.

Spain

At the end of 2022, Spain's Parliament gave its green light to the creation of the so-called *Sociedad de Beneficio e Interés Común* (SBIC), a denomination available to all commercial entities that, through appropriate modifications to their articles of association, commit to generating positive social and environmental impact through their activity, and adhere to higher levels of transparency and accountability and to the consideration of relevant stakeholders in their decision-making. As of May 2023, implementing regulations are in the making and are expected to be issued before the end of this year.

United Kingdom

In 2005, the UK established the Community Interest Company (CIC). A CIC is a type of company that has a primary social purpose but is to reinvest its profits to achieve more of its social objectives, but can also pay a proportion of its profit out to owners or investors in the form of dividends (37). Since 2014, a 'dividends cap' has been in place and the maximum amount of dividends that a CIC can pay out is 35% of its distributable profits.

Section 172 of UK's Company Act 2006 imposes a general duty on every company director to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole, and to have regard to a non-exhaustive list of factors, including the interests of employees and how the actions and behaviours of the company affect customers, suppliers, the community and the environment, as well as the company's reputation (38).

Germany

In Germany, the debate (39) around preserving long-term purpose and balancing shareholder interest with other stakeholders has resulted in proposals to introduce a specific limited liability company type in the form of "steward owned-company" ("GmbH in Verantwortungseigentum, or VE-GmbH)"). Under this legal form, the company's assets and all the business profits generated would be reinvested within the company or donated to a charitable purpose (asset lock), which means that the shareholders are generally not entitled to the company's profits or assets throughout the life cycle of the business (40). The other element of the proposal is that only natural persons may be shareholders, and stewardship can be transferred only within a restricted circle of "skill- or value-based family", allowing shareholders to exclude the transferability of shares by succession.

United States

As of May 2023, 49 US States have adopted Benefit Corporation legislation. Provisions may slightly vary from state to state but typically include 1) a definition of Public Benefit Corporation as a commercial company incorporating one or more public benefit in its articles of associations, 2) a duty, for directors, to balance shareholder interest with the interests of other stakeholders and the common benefit and 3) an obligation to report on public benefit-related objectives and progress as well as and stakeholder interest protection. The US is the first country in the world to have adopted Benefit Corporation legislation.

Canada – British Columbia

In 2011, British Columbia (BC) adopted legislation creating Community Contribution Companies (CCC) (41). CCCs are modelled after UK Community Interest Companies and have a slightly higher dividends cap (40%).

In 2020, BC's Business Corporations Act was amended (42) to create Benefit Companies. Legal provisions are modelled after US Benefit Corporation legislation.

Additional countries in the world have adopted or are considering similar legislation.

Swiss perspective

Unlike other European and extra-European countries such as Italy, France, Spain and the US, Switzerland has not adopted a specific legal framework promoting businesses that embrace social and environmental purposes next to profit-making goals (43). For the time being, Swiss legislative efforts have primarily focused on disclosure, and certain aspects of due diligence.

Popular initiative "For responsible businesses"

Following the 2020 rejection of the popular initiative 'For Responsible Businesses – Protecting Human Rights and the Environment' which would have introduced new statutory obligations for Swiss businesses (44), the Federal Council's counter-proposal to introduce certain new reporting and due diligence requirements for companies operating in Switzerland was adopted. The new provisions appear in the Swiss Code of Obligations (CO) and consist of two distinct parts, "transparency on non-financial matters" (art. 964a to 964c CO) and "duties of diligence and transparency regarding minerals and metals from conflict zones and child labor" (art. 964j to 964l CO) (45):

- The provisions relating to transparency on non-financial matters apply to companies that are publicly traded, banks and insurance companies with 500 or more employees and at least CHF 20 million in total assets or more than CHF 40 million in turnover. The report will need to include a description of the company model, risks, performance indicators, due diligence procedure with respect to human rights, environmental issues (in particular CO2 objectives), social issues, and the fight against corruption. The report must remain accessible to the public for at least ten years. A fine of up to CHF 100,000 is provided for in the event of non-compliance with the reporting requirements.
- As of 2024, the same companies will also be subject to the new Ordinance on Climate Disclosure
- The provisions relating to due diligence and transparency in the area of minerals and metals originating from conflict zones and in the area of child labor (art. 964j to 964l CO) require companies whose activities present risks in sensitive areas of child labor and minerals and metals from conflict zones

to implement extended due diligence obligations.

Additionally, the counter-proposal introduced, for commodity companies, an obligation to report payments made to public bodies (Art. 964d-964i CO) (46).

Swiss impact of EU regulations

In the light of the new EU regulation, the Swiss Federal Department of Justice has analysed and compared the CSRD, and the CSDDD and the Swiss rules to gain a better understanding of the impact on Swiss companies. It concluded, for example, that the scope of the CSRD is broader than the Swiss rules in that the CSRD covers a wider range of companies, and that the due diligence obligations under the CSDDD cover "human rights" and "environment" in general, while the Swiss rules are limited to due diligence obligations in the area of child labour and conflict minerals (45). Additionally, civil liability and national supervision mechanisms are stronger in the EU Directives compared to Swiss rules.

Swiss sustainable finance

From a sustainable finance perspective, the Federal Council has set high ambitions for Switzerland to be a leading location for sustainable finance (47). The State Secretariat for International Finance (SIF) has communicated 15 actions (48), existing and new, that focus on sustainability data from the overall economy, transparency in the financial sector, impact investments and green bonds, and pricing pollution. On 16 December, 2022, the Federal Council issued its position on the prevention of greenwashing in the financial sector, and instructed the SIF to work with the industry and civil society to identify how to optimally implement the Federal Council's position in a conducive manner (49).

Swiss circular economy

In 2022, the Federal Council revised (50) the Waste Ordinance (OLED), the Ordinance on the Reduction of Risks relating to Chemicals (ORRChim) and the Ordinance on the Incentive Tax on Volatile Organic Compounds (OCOV). Among other things, these revisions limit the final storage in landfills of bituminous materials, prohibit the commercialization of oxo-degradable plastics, and simplify the incentive tax-related procedure for volatile organic compounds. In February, 2023, the Federal Council announced its support (51), with some modifications, to a parliamentary initiative on Circular Economy (initiative 20.433) which includes several important provisions, such as the possibility of imposing requirements on the commercialization of products (e.g., a 'repairability index') and provisions regarding construction requirements. The proposal is now being discussed by Parliament.

The new Swiss Code of Best Practice for Corporate Governance (self-regulation)

The Swiss Code of Best Practice for Corporate Governance (52) is an instrument of self-regulation issued by economiesuisse which was first published in 2002. The latest and long-awaited 2023 edition has been amended to now state, in the preamble, that "business activities are sustainable when the interests of different stakeholders in the company are taken into account and economic, social and environmental goals are pursued holistically." Several specific articles of the Code have been amended to reflect environmental and social goals, dialogue with stakeholders, and boards' diversity and inclusion.

Sustainable enterprises in current Swiss legislation

A recently published study (43) conducted by the University of Geneva at the behest of B Lab Switzerland and assessing the need for a new legal framework for sustainable enterprises in Switzerland concluded that:

- In Switzerland, there is no specific legal form or legal qualification for sustainable enterprises.
- Swiss law, in theory, allows to amend a company's articles of association to reflect a stakeholder-pluralistic approach and the pursuit of a purpose other than profit.
- At the same time, it is not certain that Swiss courts would confirm those assumptions. In particular, it remains unclear if and to what extent directors of a for-profit entity may as a matter of principle prefer stakeholders' interests over the ones of shareholders.
- Absent specific sustainability evaluation and reporting standards, current practices undertaken by sustainable enterprises in Switzerland are highly heterogeneous.
- A legal qualification would also create a basis for additional policy levers.
- The experience in countries that have implemented benefit company legislation presents some positive elements but do not necessarily secure a stakeholder-centric approach nor resolve the need for a specific third-party auditing and reporting standards
- For Switzerland, a legal framework based on the SDGs and creating an opting-in category/legal qualification of "Sustainable purpose-driven enterprises" would be the best option in terms of providing clarity to the sector, establishing a solid basis for additional policy levers benefiting the category and clarifying the applicable standards while keeping the freedom of organization that is in line with Swiss tradition.

Seizing the opportunity for a new legal framework

Despite delivering unprecedented growth and reducing poverty, the economic models applied over the last decades have increased inequalities and environmental deterioration, exacerbating social tensions and constraining countries' potential for future growth. International organizations, experts, and civil society everywhere are calling on governments to re-frame our economic systems by rapidly putting in place policies and practices conducive to a sustainable future. The urgency is not only dictated by the ambitious Agenda 2030 targets, but also by the unprecedented pace of EU regulatory action.

The business sector is central to this mission, but it is up to public institutions to design the legal and regulatory infrastructure that can accelerate transformation. Strong of an unrivalled international reputation and a solid commitment to advancing UN SDGs - and to adhering to international standards and cooperation - Switzerland is equally expected to be a role-model for the world in how it will devise the right recipe of standards and incentives for companies operating on its territory.

Experience shows that, in Switzerland, sustainable enterprises are on the rise, but that the fundamental tenets that serve to align the interest of businesses with the general societal interests are still missing. As shown in the previous chapter, in the sustainability area Switzerland presents a situation of under-regulation - and probably loss of opportunities - compared to other advanced countries. Upcoming EU regulations will rapidly impose new rules for Swiss companies on many important sustainability-related aspects. Time-wise, Switzerland has a unique opportunity to anticipate these rules and to leverage on them to create a mechanism that will help its economy beyond mere compliance with foreign legislation, in the respect of the "Swiss way".

To concretely encourage a wide, positive business behaviour while enhancing an investor- and business-friendly environment, a new, pragmatic legal framework is needed, specifically recognizing sustainable enterprises, providing national legal legitimization to companies' ongoing efforts and encouraging every other company to transition to sustainability. This new form would provide clear guidance to entrepreneurs that want to embrace social and environmental goals, to citizens and customers that need to consciously choose products, services, and potential jobs, to financial operators that want to know where to invest, and to Switzerland as a whole to further position itself as an ideal business location.

The proposal entails no obligations for companies that decide not to qualify for 'sustainable enterprise' status while it incentivizes those that do, and prepares them for EU and international obligations, making it easier to comply later on.

Our proposal is outlined below.

Elements of a new legal framework

1. Creation of a new opt-in "Sustainable enterprise" category in the law

The new legal framework should enshrine the concept of Sustainable Entrepreneurship in Swiss law, by creating a novel category of Sustainable Enterprise, available (but not mandatory) to any for-profit legal figure, and having the following characteristics:

1.1 As a fundamental principle, it must be clarified that striving for profits does not necessarily or at least only mean the maximization of financial profits for the purpose of distribution to the shareholders.

1.2 Explicit duty of the directors to take a long-term view as to the impact and interests of the company as well as all stakeholders' interests when making business decisions, in particular those affected by the activities conducted by the Sustainable Enterprise.

1.3 The formal incorporation, in the purpose of the organization, of a commitment to social and environmental goals, comprising the following 9 Focus Areas:

- Purpose and Governance
- Ethical and Anti/corruption Practices
- Human Rights
- Climate Management
- Environmental Management
- Equal Opportunities
- Fair Wages and Fair Income
- Health & Well-being
- Community Engagement

These sustainable areas encompass well-established frameworks and widely recognized initiatives, which serve as reliable benchmarks for progress and excellence in sustainability practices, such as Agenda 2030, the UN Global Compact principles and practices (53), the UNDP SDG Impact Standards for Enterprises (54), the OECD Due Diligence Guidance for Responsible Business Conduct (55), the ILO Fundamental Conventions (56) and the ISO 26000 guidance on social responsibility (57). Moreover, these areas integrate valuable feedback that we have procured from standard-setting organizations and a diverse array of Swiss companies, spanning different sizes and sectors.

High level targets for each of the 9 areas are provided in the Appendix.

1.4 Mandatory third-party assessment on 1) progress vs. goals in the 9 Focus Areas, and 2) impact on stakeholders such as employees, consumers, suppliers, communities and society at large.

1.5 Obligations to publicly report, on an annual basis and by way of integration into annual management reports, on the result of the third-party assessment. Specific standards should be established considering the upcoming European Sustainability Reporting Standards (ESRS) as well as other applicable international standards. Climate Management-related reporting should be consistent with FINMA's 'Transparency about climate-related risks' guidance (58).

1.6 A mandatory registration of the Sustainable Enterprise in the Swiss Commercial Register, which would be a pre-requisite for the exclusive right to use the 'Sustainable Enterprise' denomination.

As part of our strategic initiatives, we are planning an extensive consultation process with various stakeholders. This includes Small and Medium-sized Enterprises (SMEs), economic umbrella organizations, and civil society groups. The objective of this consultation is to solicit their invaluable insights and feedback. This broad consultation aligns with our commitment to inclusivity and our aspiration to incorporate perspectives from a wide spectrum of businesses.

2. Incentives accelerating the transition to sustainable entrepreneurship

Switzerland already grants tax incentives to companies for specific purposes. For instance, many cantons offer tax incentives for newly established companies or for expansion investments in order to improve their attractiveness as business locations.

Once a category of Sustainable Enterprises is created, applying smart tax incentives and other incentives would establish a virtuous mechanism of attracting more and more companies to qualify. Examples of incentives include:

- The possibility to deduct the costs incurred in transitioning to Sustainable Entrepreneurship.
- Exemption from the issuance stamp duty, which would make raising capital easier.
- Tax reductions for dividends from Sustainable Enterprises from the income tax.
- Circular VAT or 'net-zero' VAT rates to be applied to goods and services of qualified sustainable enterprises.
- Privileged access, for Sustainable Enterprises, to public procurement contracts and to public training funds destined to digital and sustainability-related workforce upskilling and reskilling.
- Financial support to assist SMEs complying with the upcoming EU Corporate Sustainability Reporting Directive requirements.
- Possible tax incentives aiming at favouring investments in sustainable enterprises in general or at least enterprises which are pursuing specifically identified targets, such as SDGs which are considered as being a priority.
- Other, targeted funding schemes.

Some of these measures will likely require the review of current Swiss accounting norms and nomenclatures. Based on current Swiss accounting standards, for instance, most environmental and social costs are not integrated into SME's financial statements.

3. Centralized platform for Sustainable Enterprises

An important element of the legal framework would be the creation of a single electronic platform presenting all relevant information on how to qualify for Sustainable Enterprise status, specific incentives available and eligibility criteria, and a list of registered Sustainable Enterprises for purposes of best practice-sharing and collective activation.

While not part of the Sustainable Enterprise framework, we also recommend that all companies operating in Switzerland should be mandated to consider not just the interests of shareholders but also the interests of other stakeholders - including, but not limited to, employees, suppliers, customers, the community and the environment - when managing the company. This requirement is consistent with current obligations in the UK and France and with the changes introduced in the new voluntary Swiss Code of Best Practice for Corporate Governance, and would complement the existing duty of the Board of directors to "safeguard the interests of the company in good faith" (Art. 717 of Swiss CO).

Furthermore, we see mandatory due diligence requirements regarding human rights, environmental and climate aspects for all businesses, as the basis for sustainable entrepreneurship as practiced by the most forward-looking businesses. As a consequence, our proposal is positioned as a complement to the call for mandatory due diligence requirements in line with the CSDDD.

Inclusive consultation process

In line with the model of business it encourages, the new legal framework should be designed in consultation with companies and organizations that wish to contribute with data, knowledge and experience, including companies, social enterprises, cooperatives, economic umbrella organizations, certifying bodies, auditing firms, members of Parliament, civil society organisations, etc.

Innovativeness of the proposal

Our proposal is built on current best practices employed globally, while also distinctly separating itself from the so-called 'benefit legislation' implemented in various nations and contrasting with other proposals currently under consideration in Switzerland. Herein, we would like to highlight several key distinctions:

- Business Focus: Unlike initiatives primarily targeting social enterprises, our proposal is meticulously geared towards profit-oriented entities. This expands the traditional purview of 'benefit legislation' to accommodate a wider spectrum of businesses, fostering a more inclusive and sustainable economic landscape.
- Comprehensive Auditing and Reporting: Our approach necessitates 'sustainable enterprises' to maintain rigorous standards of auditing and reporting on a comprehensive set of nine focus areas. These areas encompass an amalgamation of social and environmental indicators, thereby setting our proposal apart from the typical 'public benefit' and 'benefit legislation' concepts.
- Alignment with international standards: We align our proposed indicators with the United Nations, the Organization for Economic Co-operation and Development (OECD), and existing and emerging European Union standards and regulations. This alignment seeks to achieve a globally recognized and respected standard of sustainability in enterprise.

Finally, it is imperative to note that our proposal does not introduce a separate legal entity. Instead, this status can be applied to any profit-oriented enterprise. This is significant as it allows for a greater reach and inclusion, making the proposal's measures applicable and adaptable for a multitude of enterprises that prioritize both profit and sustainable practices.

Advantages of the proposed legal framework

The proposed set of rules would result in the following advantages:

- **Clarity** for companies wishing to qualify as Sustainable Enterprises.
- **Attractiveness** for companies vis-à-vis prospective employees and suppliers.
- **Opportunity** for companies to increase competitiveness, regulatory readiness, access to capital, attractiveness to prospective employees and suppliers, and high motivation for employees.
- **Transparency** for consumers and citizens, who would be informed about registered Sustainable Enterprises and thus more protected from 'greenwashing'.
- **Harmonization** of social, environmental and governance disclosure for regulators, enabling data analyses and

comparison for internal and international reporting purposes and for purposes of applying future policy levers.

- **Attractiveness** of Switzerland as a place of business - the rationale being similar to what has proven to be a business case in the field of foundations where the favourable Swiss legal environment has and is attracting many initiatives, investors, entrepreneurs, families and talents in addition to favouring the image of Switzerland as a whole.

Moreover, such a legal framework would:

Respond to the need, voiced by entrepreneurs, to have a 'ready-made' qualification, thus saving costs related to having to design such models.

- **Propel** a highly performing business model, resulting in job creation and research & development investments.
- **Help** further position Switzerland as a leading location for sustainable finance.
- **Provide** a concrete opportunity to accelerate Switzerland's attainment of Agenda 2030-related targets.
- **Benefit** the interests of Switzerland as a whole.

Summary & conclusions

Among its objectives for the year 2023, the Swiss Federal Council committed to defend an effective environmental policy at the national and international levels, contribute to achieving the climate objectives agreed upon internationally, and maintain biodiversity" (59). However, as stated in Switzerland's 2022 Annual Review of progress against UN SDGs, *Switzerland is not entirely on track, and resolute action in all sectoral policies is needed* (emphasis added) (21).

This paper argues in favour of rapid legislative action promoting wide sustainable business practices among companies in Switzerland.

In the last years, Swiss legislative efforts on sustainability have focused primarily on disclosure and harmonization with EU regulations. Unlike numerous European and extra-European countries including Italy, France, Spain, UK, US and Canada, Switzerland does not have a legal framework promoting sustainable enterprises. As shown in a recently released report prepared by the University of Geneva at the behest of B Lab Switzerland, the absence of such a legal framework does not meet the need of social entrepreneurs, regulators and consumers for the identification of clear, objective, comparable and verifiable commitments and targets (43).

This paper presents an innovative proposal for the key elements of a new policy framework that leverages on the unique EU and international regulatory momentum to address the above issues while accelerating the conditions for a competitive and green Swiss economy, by establishing **a new 'Sustainable Enterprise' qualification in the law**, **available to all for-profit entities and requiring**:

- Formal incorporation, in the **purpose** of the organization, of a **commitment to social, environmental and governance goals, across a comprehensive set of 9 focus areas**.
- Explicit duty of the directors to take a **long-term view** as to the impact and interests of the company as well as **all stakeholders' interests when making business decisions.**
- Obligation to conduct a **third-party assessment and to report publicly and annually**, on progress vs. goals and on the impact on stakeholder.
- Mandatory registration of the Sustainable Enterprise in the Swiss Commercial Register and **exclusive right to use the 'sustainable enterprise' denomination**.
- Requirements to follow comprehensive and independent standards, to be established taking into account EU and international developments.
- Introduction of **fiscal and non-fiscal incentives**, special access to public procurement contracts, and targeted financial assistance.
- Creation of a **centralized platform** for Sustainable Enterprises.

We would also recommend introducing an obligation, for all companies, to take into account the interests of other stakeholders - not just of shareholders - when making material business decisions.

The proposed legal framework offers several potential benefits for Swiss entrepreneurship sectors, Switzerland's sustainable finance, and Switzerland as a whole. These include meeting the needs of entrepreneurs, safeguarding customers, aiding regulators, enhancing performance, strengthening Switzerland's global positioning, and accelerating progress towards Agenda 2030-related targets.

Firstly, entrepreneurs express a demand for a 'ready-made' sustainable qualification. The proposed legal framework responds to this requirement, providing a structured guide for businesses seeking to align with sustainability principles, thereby simplifying the process of achieving sustainable accreditation.

Secondly, the proposed framework will contribute to protecting consumers from 'greenwashing', a practice where companies make false or overstated or environmental claims. By ensuring transparency and accountability, the framework can contribute to consumer confidence and trust in businesses.

Thirdly, standardized data generated under the legal framework would allow regulators to make targeted policy actions. This will lead to more efficient regulation and oversight, thereby enhancing the effectiveness of sustainable policies. Proposed reporting obligations for Sustainable Enterprise reflect upcoming EU reporting requirements and will allow these companies to be ready, without adding unnecessary complications or requirements.

Fourthly, the legal framework will help propel a business model that excels economically, socially, and environmentally. By integrating these three dimensions, businesses can achieve a balance that promotes long-term sustainability and resilience.

Fifthly, the framework could further position Switzerland as a leading location for sustainable finance. By offering a clear, structured approach to sustainability, Switzerland could attract more businesses and investors interested in sustainable finance, thereby reinforcing its global reputation in this sector.

Lastly, the proposed framework provides a concrete opportunity to accelerate Switzerland's attainment of Agenda 2030-related targets. By encouraging and facilitating sustainable practices in the finance and entrepreneurship sectors, Switzerland can make significant strides towards meeting its sustainability goals.

In conclusion, the proposed legal framework offers a comprehensive approach to promoting sustainable practices in Switzerland's entrepreneurship and finance sectors. Comprehensive consultations with interested parties and effective implementation and enforcement will be critical to fully realize these benefits.

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Appendix: Focus areas and high-level targets for third-party evaluation and reporting of qualified Sustainable Enterprises

The following table describes high-level progress targets for each of the 9 focus areas that would constitute the basis for evaluation and reporting of qualified Sustainable Enterprises. The identification of both the focus areas and the high-level targets is the result of B Lab's consultation with a wide range of Swiss companies, active in different sectors and with different characteristics, including size.

Focus areas	High-level targets
Purpose and Governance	▪ Purpose includes contributing to the environment and society ▪ The materiality assessment is reviewed annually and the identified material topics are approved by BoD ▪ BoD considers stakeholders in all material business decisions ▪ BoD oversees implementation of purpose and stakeholder involvement, and transparently report on progress ▪ Mechanisms in place to manage complaints/grievances from stakeholders.
Ethical and Anti-Corruption practices	▪ Lobbying positions not contrary to the company's purpose ▪ Transparent lobbying practices ▪ Mechanisms in place to manage and remedy workers' complaints/grievances
Human Rights	▪ Assessment of Human Rights risks ▪ Strategy and action plan that is appropriate for risks identified ▪ Company has a supplier engagement framework that supports human rights objectives
Climate management	▪ Annual tracking of company's Greenhouse Gas (GHG) emissions ▪ Strategy and action plan contributing to global warming below 1.5 °C objective ▪ Demonstrated track record of improvement year-to-year ▪ Assessment of Climate risk-related impact on company

Environmental management	▪ Environmental strategy and action plan to pursue circularity and responsible use and protection of the natural environment ▪ Supplier engagement framework to support environmental objectives
Equal opportunities	▪ Tracking of diversity & inclusion levels ▪ Diverse composition of BoD ▪ Strategy and action plan to achieve diverse workforce ▪ Implementation of equal pay
Fair wages and Fair income	▪ Company pays living wages ▪ Implementation of transparent pay ▪ Measures to ensure fair income in the supply chain
Health and Well-being	▪ Measures in place to ensure high worker safety, physical and mental well-being, and development
Community engagement	▪ Joint action with other stakeholders to advance positive collective social and/or environmental impact at the policy, industry, and/or business community level

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