

Sustainability



Sustainability Report 2022

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Corporate Social & Environmental Responsibility – an important part of Strategy 2027

A secure supply of electricity is an important basis for Switzerland's prosperity and long-term economic and socio-political development. As the national grid company, Swissgrid makes a significant contribution to ensuring the security of supply. As the link between electricity generation and consumption, Swissgrid is actively helping to shape the path towards a sustainable energy system.

Swissgrid's statutory mandate is therefore fundamentally geared towards the long term. The company already implements a number of ecological, economic and social measures in various business units in line with the principles of sustainable development.

Swissgrid has decided to anchor the principle of sustainability even more firmly throughout the company. All areas of sustainability management at Swissgrid are now grouped together under «Corporate Social & Environmental Responsibility» (CSER) and represent an important component of Swissgrid's Strategy 2027. The strategy will shape corporate development over the next five years. At the same time, the company is establishing and maintaining systematic CSER programme management.

CSER – part of Swissgrid’s Strategy 2027

It is the explicit intention of the Executive Board and the Board of Directors to consolidate the issue in all areas of the company. This represents the driver for integrating sustainability into the strategy. In addition, Swissgrid wants to make a contribution towards reaching the 2030 climate targets and implementing the Energy Strategy 2050.

Swissgrid’s goal is to ensure that sustainability is put into practice throughout the company with the active involvement of every business unit. To this end, the company has identified and prioritised all the issues that make a significant contribution to its sustainable development. Relevant targets are continuously defined during normal management cycles and appropriate measures are implemented.

Swissgrid determines which United Nations Sustainable Development Goals (SDG) it will endeavour to achieve. Its measures are based on four areas: Purpose, People, Partnership and Planet. All corporate divisions are affected by these measures and will contribute to their implementation.

Furthermore, Swissgrid intends to develop comprehensive, non-financial reporting in accordance with the standards of the Global Reporting Initiative (GRI) and to have ESG (Environmental, Social, Governance) ratings carried out. The reports and results of the ratings will be communicated proactively.

Basis for the CSER strategy

Swissgrid has laid the foundations for its sustainability strategy by drawing up a materiality analysis in accordance with the GRI standards. This analysis indicates the relevance of economic, ecological and social issues from the perspective of Swissgrid and its stakeholders.

The materiality analysis creates an internal understanding of the multifaceted topic of sustainability, raises awareness in the organisation, sets the basis for strategic and operational development, and defines focus areas for reporting.

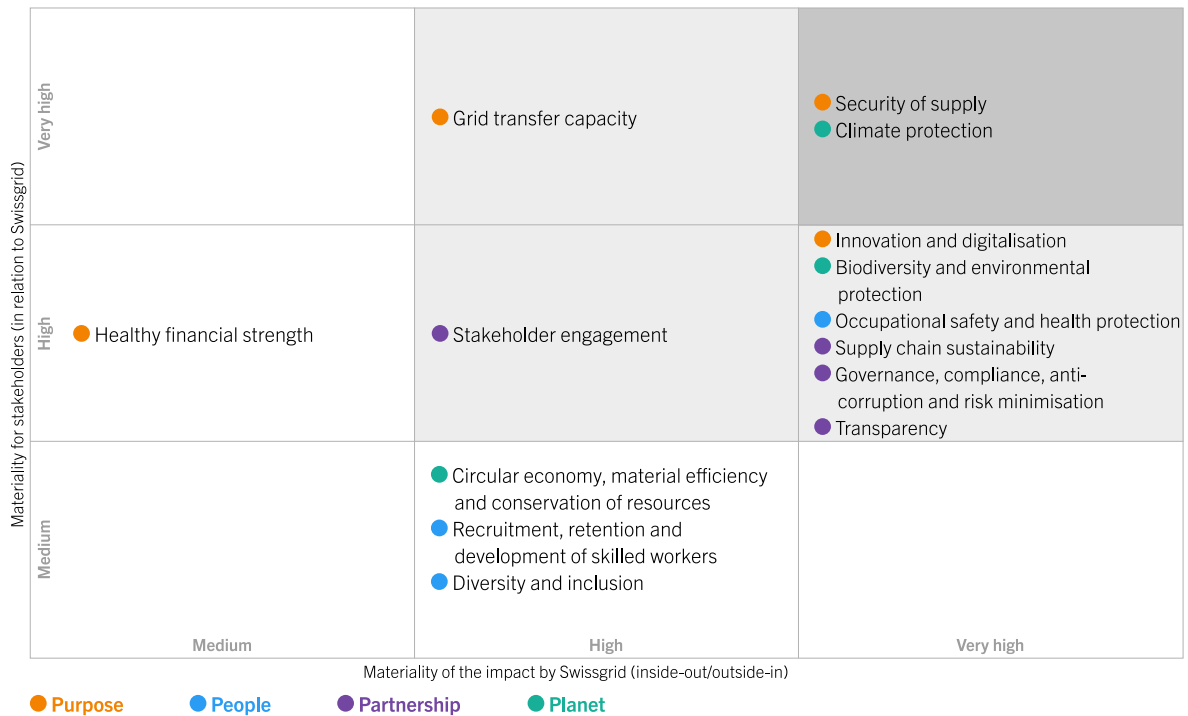
As there is not yet a separate GRI standard for the electricity industry, and given the special role played by the transmission system operators in the sector, Swissgrid carried out an independent analysis of the corporate context. This comprises an overview of the company’s activities, business relationships and stakeholders. In addition, the current and potential impacts of business activities on the economy, society and the environment were identified. An external analysis was then carried out to verify the results. Finally, the materiality matrix was adopted by the Executive Board.

Swissgrid materiality matrix

The result of the materiality analysis is presented as a matrix that combines two aspects of materiality: the vertical axis represents the assessment of the topics chosen by Swissgrid from the perspective of the stakeholders. The horizontal axis illustrates on the one hand how the company is affected by certain issues (outside-in) and, on the other hand, the impact of the company’s business activities on the economy, the environment and society (inside-out). The vertical dimension will be explored in even more detail in the future by directly involving the stakeholders. It currently represents a preliminary evaluation by Swissgrid of the relevance of the topics for the stakeholders.

The following graphic shows the materiality matrix as approved by the Executive Board. Each topic is assigned to one of four areas: Purpose, People, Partnership and Planet. Topics classified as immaterial

are not listed.



The principles that guide Swissgrid’s actions: Purpose, People, Partnership and Planet

PURPOSE



Most «Purpose» topics have high to very high materiality. This applies in particular to grid-related security of supply, which results directly from Swissgrid’s contract for the provision of ancillary services.

Security of supply

Swissgrid is responsible for one of the most critical infrastructures in Switzerland. Grid-related security of supply is at the heart of Swissgrid’s tasks. Good networking with the European interconnected grid is crucial in order to be able to guarantee this security of supply. Networking is the only way that electricity shortages in the winter months can be overcome and power plant outages or overproduction can be compensated for internationally. Switzerland also plays an important role in the transfer of electricity and acts as Europe’s energy store thanks to its pumped storage power plants.

The electricity industry is undergoing major upheaval following the political decision to integrate the power markets and decarbonise the energy industry. Due to the lack of a framework agreement with the EU, Switzerland is largely excluded from European processes, which will lead to unplanned flows through Switzerland. This can have a negative impact on grid security. Swissgrid is committed to achieving the highest possible level of integration at a technical level in order to ensure grid security in the long term.

The demands placed on the grid infrastructure and power system control are constantly increasing due

to decarbonisation, the transformation of the energy system and the many new decentralised sources of energy associated with it. Swissgrid is developing new solutions to manage the complexity of the energy system and is thereby making a contribution to the success of the Confederation's Energy Strategy 2050.

Grid transfer capacity

The renovation of the energy system can only succeed if the grid infrastructure is upgraded to meet the new framework conditions and operated more efficiently. Swissgrid is currently determining the needs for grid development in Switzerland in its «Strategic Grid 2040» project. To ensure more efficient operation of the grid, operational planning and system operation will be brought closer to real time by gaining a deeper knowledge of operating conditions and collecting better measurement data. This will also potentially increase system controllability. Efficiency improvements are also sought via risk-based plant management relying on automated data collection and analysis. A digital image of the grid is created especially for this purpose. This also makes it possible to optimise renewal and maintenance measures.

Innovation and digitalisation

The increasing volatility of electricity flows and the growing number of time-critical system interventions mean that new, innovative approaches are required at a technical and organisational level. To meet these challenges, it is necessary to drive forward the digitalisation and automation of processes as well as the provision and evaluation of data. That is why one of the focuses of Swissgrid's Strategy 2027 will be on innovation and digitalisation in the core business. This topic will be promoted in all areas of the company by fostering skills and the corporate culture, by harnessing the opportunities offered by new technologies, by rapidly developing and implementing innovative ideas and by taking advantage of external expertise.

Healthy financial strength

Extensive investments in the development of the grid require solid financing. The aim is to reduce and control the various financial risks such as liquidity, foreign currency, interest rate and counterparty risks. ESG scores and hence access to capital and the corresponding conditions can be optimised by demonstrating the sustainability measures that are already implemented today and by ensuring a greater systematisation of the management approach. Swissgrid is examining the use of sustainable financing instruments for the financing of the Swiss high-voltage grid.

PEOPLE



«People» summarises the topics that make Swissgrid an attractive employer. Swissgrid is aware that its sustainable development into an innovative, highly digitalised company is only possible with motivated and highly qualified employees. The essential issues are therefore being anchored into the corporate culture. This is especially true for occupational safety and health protection, but also for innovation and sustainability. The best professionals must be recruited and retained, regardless of their ethnic origin, sexual orientation, religion, age, gender, any disabilities or other diversity aspects. This is made possible by Swissgrid's guiding principles and leadership skills, which are based on cooperation, feedback and trust, as well as on continuous learning.

Occupational safety and health protection

Swissgrid has a management system for occupational health and safety in accordance with ISO 45001:2018, which serves as the basis for continuous improvement. The introduction of the Safety Culture Ladder in 2022 represented an important step in reinforcing the safety culture within the company.

Recruitment, retention and development of skilled workers

Swissgrid has developed into an attractive employer and has set itself the goal of becoming an «Employer of Choice». In this way, it can attract the talented employees it needs to accomplish its tasks and retain existing employees. Swissgrid ensures that its highly motivated employees can benefit from the best possible conditions by providing working conditions adapted to employees' needs, by offering a wide range of training and further education programmes and by allowing opportunity for development.

Diversity and inclusion

In order to successfully implement its Strategy 2027 and meet the challenges of the future, Swissgrid needs to be able to attract the most talented individuals, regardless of their ethnic origin, sexual orientation, religion, age, gender, any disabilities or other diversity aspects, and must support them in their personal and professional development. Thinking beyond these boundaries is a matter of course for Swissgrid. Furthermore, Swissgrid aims to achieve a balanced ratio between the generations and the sexes. It strives to embrace an inclusive corporate culture in order for the benefits of diversity to be felt. This increases satisfaction and reduces fluctuations.



The main issues summarised under «Partnership» seem very different at first glance. And yet the task essentially remains the same. Thanks to clear responsibilities and well-structured processes, knowledge of stakeholder demands and forward-looking, critical thinking, the aim is to comply with the law, identify and minimise risks, and create added value for society, both in our own business activities and in the supply chain.

Governance, compliance, anti-corruption and risk minimisation

Swissgrid already has a comprehensive compliance management system, which is constantly being developed. Enterprise risk management is another integral part of effective and prudent corporate management. It is based on the established ISO 31000 and COSO ERM standards. The resilience of core processes is enhanced by increasing security standards, implementing the cyber strategy and strengthening business continuity management.

Supply chain sustainability

Swissgrid has placed the emphasis on sustainability in its procurement system: a Swissgrid Sustainability Charter defines clear environmental and social requirements for direct suppliers, the supply chain and products. In procurement, sustainability is taken into account throughout the entire life cycle of the products, from raw material extraction to disposal.

Transparency

Transparency is the basis for Swissgrid's credibility and therefore represents an important pillar in its communication with the various stakeholders. With regard to sustainable corporate development,

transparency towards the outside world is ensured by means of reporting which is in accordance with the GRI standards and also meets the statutory reporting obligations.

Stakeholder engagement

The aim of Swissgrid's stakeholder involvement, which focuses among other things on sustainability, is to understand the demands of its stakeholders, to establish a benchmark and to convince stakeholders of Swissgrid's concerns. Effective stakeholder involvement is of particular importance to Swissgrid on account of the complex political and regulatory issues it faces.

PLANET



«Planet» covers three main topics at Swissgrid. Climate protection is rated as highly material. Biodiversity is another important issue. This is impacted by the grid infrastructure, but positive effects can be achieved at the same time through the targeted management of the relevant areas. The circular economy, material efficiency and conservation of resources are also relevant. The long-term goal is to strive for an economy that comes as close as possible to natural cycles.

Climate protection

Swissgrid is directly exposed to the consequences of climate change and must adapt the grid infrastructure to the new framework conditions. Examples of this are the thawing of the permafrost in high mountain areas, which has an impact on pylon foundations, and the more frequent occurrence of severe weather events. At the same time, Swissgrid is eager to combat climate change. It will therefore reduce its own greenhouse gas emissions in accordance with Swiss reduction targets. Last but not least, Swissgrid plays an important role in upgrading the grid in order to integrate renewable energy resources. To this end, Swissgrid is actively involved in the «Decarbonisation of the Energy System» project organised by eight European transmission system operators.

Biodiversity and environmental protection

The topic of biodiversity is also judged to be important from an internal perspective and with regard to the ecological impact of Swissgrid's own business activities. The planning and implementation of grid projects are highly regulated. It is important to apply the environmental protection and biodiversity measures defined in the administrative and planning approval procedures in accordance with the law. The existing measures to reduce the impact of projects on biodiversity and to increase biodiversity in general are directly linked to specific projects. In the future, measures to promote biodiversity will be taken systematically at substation sites, pylon sites and along line routes. This will simplify planning and implementation.

Circular economy, material efficiency and conservation of resources

In order to achieve the climate targets and reduce the burden on the environment in general, material cycles must be designed in a similar way to natural cycles. The goal is basically to reuse all materials taken from nature at the end of their life cycle as raw materials for new products or to return them to nature without any harmful effects. Non-degradable materials should remain in the technical system for as long as possible. To achieve this, products need to be rethought from the ground up by means of eco-design. Swissgrid exerts an influence in this area by setting and monitoring corresponding requirements for products and production processes as part of a sustainable procurement policy. Since Swissgrid's sustainable procurement policy includes social as well as environmental requirements, the

topic is addressed in more detail in the «Partnership» area of action.

CSER management

Swissgrid is implementing programme management in order to achieve the goals set out in its Strategy 2027 and its objectives in relation to CSER. This ensures the continuous development of CSER projects and activities in business operations and verifies whether the level of ambition has been achieved or whether an adjustment needs to be made. Measures are implemented in the relevant line or in the form of projects.

At the same time, measures are being taken to anchor CSER even more firmly in the minds of employees. This requires the acceptance of CSER as an important corporate aspect and a further increase in awareness of the current and future relevance of sustainability issues. As with other cultural dimensions, the Executive Board and management play a major role. In addition, CSER communication is being reinforced. In the future, it will consist not only of reporting, but also of a number of other internal and external communication measures.

Key performance indicators (KPIs) are defined and published for the topics listed in the materiality matrix. As a first step, Swissgrid plans to publish a pilot report in accordance with the GRI standards in mid-2023.

Within the framework of programme management, Swissgrid will implement further measures derived from these KPIs and the current data basis. External benchmarking in the form of a stakeholder survey will be carried out to review and, if necessary, adjust the assessment of the topics on the vertical axis of the materiality matrix.