

30 November 2016

Eidgenössisches Departement für
Umwelt, Verkehr, Energie und Kommunikation UVEK
Bundesamt für Umwelt BAFU
3003 Bern
Switzerland

Via e-mail: climate@bafu.admin.ch

Re: Consultation on the climate policy of Switzerland post 2020

Hermes EOS welcomes the opportunity to provide our comments on this consultation by the Bundesamt für Umwelt on the climate policy of Switzerland post 2020.

By way of background, Hermes is an asset manager in the City of London, and is wholly owned by the BTPS, one of the UK's largest corporate pension schemes. As part of our Equity Ownership Service (Hermes EOS), we also respond to consultations on behalf of many clients from around Europe and the world, including PNO Media (the Netherlands), and VicSuper (Australia). In all, Hermes EOS advises over 40 clients with regard to assets worth a total of over £236.8bn / €273.7bn (as at 30 September 2016).

In the following, we only provide a response to questions related to the ratification of the Paris agreement.

1. Do you generally agree with the consultation on climate change policy 2020 (i.e. the Paris agreement, the treaty with the European Union on interlinking the emissions trading system, and a total revision of the CO2 legislation)?

Hermes EOS helps long-term institutional investors around the world to meet their fiduciary responsibilities and become more active owners of public companies. Our team of engagement and voting specialists monitors the investments of our clients in companies and intervenes where necessary with the aim of improving their performance and sustainability. Our activities are based on the premise that companies with informed and involved shareholders are more likely to achieve superior long-term performance than those without.

Our corporate, public policy and best practice engagement programmes aim to enhance and protect the value of our clients' investments and safeguard their reputations. As part of our public policy work, we work with legislators, regulators and industry bodies to promote stewardship and sustainability.

As a representative of more than 40 institutional clients, we focus in this consultation response on the Paris Agreement and will not comment specifically on the emissions trading systems and the revision of the CO2 legislation in Switzerland.

We support the agreement of Paris on climate change in 2015 and encourage all stakeholders, including governments, investors and companies to contribute to the achievement of the objectives specified therein. We recognise that all public companies in which we and our clients are invested in, are exposed to the material physical and financial risks stemming from climate change as a result of the economic and political disruptions that will arise from climate change that is not limited to 2 degrees Celsius.

We also see valuable opportunities for companies, which adapt their business models to a low carbon world which will include tightening climate change regulation and a new economic paradigm. Thus, we encourage companies to publicly support the ambition of the Paris agreement on climate change and undertake meaningful actions to adjust their business models to the challenges imposed by climate change and the transition towards a low carbon economy. Ultimately, we urge companies to demonstrate and appropriately disclose their preparedness and approach to tackle the challenges arising from climate change.

2. Should Switzerland ratify the Paris agreement?

We believe that climate change will threaten the resilience of societies and the global economy on which we all rely. This change will have a long-term detrimental effect on our clients' investments.

Therefore, we recommend that Switzerland ratifies the Paris agreement, and therefore support its own businesses, some of them global, in the transition towards a low-carbon economy. We believe that choosing a free riding approach by not ratifying the agreement, would be detrimental to the Swiss economy, reducing the guidance and sense of urgency for Swiss companies, foreign companies active in Switzerland and the Swiss society itself to adapt effectively to the new economic paradigm.

8. b. Do you agree with the extension of the CO2 emissions regulation for passenger cars and light-duty vehicles in dependence on the EU regulation?

Our expectations of automotive companies in relation to CO2 emission levels are outlined in the document "Investor expectations of automotive companies: Shifting gears to accelerate the transition to low carbon vehicles".

In this document, we outline our expectation that climate change will impose significant challenges on the automotive sector. We believe that in order to remain competitive over the long-term, automotive companies have to accept the transition towards a low carbon economy and work on the development of zero-emission vehicle technology.

The entire document is available at:

http://www.iigcc.org/files/publication-files/IIGCC_2016_Auto_report_v14_Web.pdf

We trust that our comments are useful and we are very happy to discuss any of the points that we have raised further. Please contact Natacha Dimitrijevic (Natacha.Dimitrijevic@hermes-investment.com) should you wish to do so.

Yours faithfully,

A handwritten signature in blue ink that reads "Tim Goodman". The signature is written in a cursive style with a long horizontal stroke at the end.

Tim Goodman
Director
Hermes EOS