

Switzerland: Swiss Federal Council Proposed Draft Corporate Sustainability Act

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In brief

On 1 April 2026, the Swiss Federal Council initiated public consultation on a draft Federal Act on Sustainable Corporate Governance (“**D-CSA**”), as a direct counterproposal to the so-called **Responsible Business Initiative 2.0**, which it recommends rejecting (see the press release and ancillary documents [here](#)). With the D-CSA, the Swiss government intends to introduce rules that companies must comply with in their business activities regarding the protection of human rights and the environment. The D-CSA is based on relevant international standards, specifically the current provisions under the so-called Omnibus Directive of the European Union (EU; find our EU colleague’s latest update [here](#)). This marks a pivotal step in Switzerland’s ongoing efforts to enhance ESG due diligence and reporting obligations for Swiss companies, building on recent regulatory waves and closely aligning with the future EU framework.

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Background

The regulation of corporate conduct in relation to human rights and environmental standards has been the subject of several legislative initiatives in Switzerland over the recent years. Following the entry into force of the parliamentary counterproposal to the first **Responsible Business Initiative** on 1 January 2022, Swiss law introduced rules on non-financial reporting and sector-specific supply-chain due diligence.

In May 2025, a new popular initiative entitled “For responsible large companies – to protect people and the environment” or Responsible Business Initiative 2.0 was successfully submitted. The initiative calls for the imposition of human rights- and environment-related due diligence obligations on large companies and ensuring their enforcement through civil liability and effective public oversight. In particular, the initiative requires risk-based due diligence to be conducted along the entire value chain, a result-based obligation to consistently align business activities with the 1.5-degree climate target subscribed to also by Switzerland, and stricter reporting requirements. The initiative further calls for a group liability regime and the establishment of an independent supervisory authority with sanctioning powers. Notably, the liability regime would constitute a major move from the currently applicable legislation.

In September 2025, the Federal Council resolved to develop an indirect counterproposal at the statutory level. It further issued its recommendation to reject the Responsible Business Initiative 2.0. In this context, it acknowledged the fundamental importance of responsible corporate governance and the need for international action but considered the level of regulation envisaged by the initiative to be excessive and incompatible with maintaining a competitive Swiss business environment.

On 1 April 2026, it opened the public consultation on the D-CSA. The consultation period is scheduled to run until 9 July 2026.

Scope of the D-CSA

The D-CSA is conceived as a standalone special act as opposed to the current inclusion of respective provisions in the Swiss Code of Obligations. It governs (i) corporate due diligence obligations in the areas of human rights and environmental protection, (ii) corporate sustainability reporting, (iii) civil liability, (iv) state supervision and enforcement, and (v) due diligence and transparency obligations relating to minerals and metals from conflict-affected areas as well as child labour (Art. 1 of the D-CSA).

As set out in Art. 2 of D-CSA, it applies to:

1. **natural persons, legal entities and partnerships whose registered seat, domicile, place of central administration or principal place of business is located in Switzerland** and which pursue an independent economic activity on a permanent basis (Swiss undertakings);
2. **undertakings incorporated under the law of a third country** that have their registered seat, central administration or principal place of business outside Switzerland, insofar as they are subject to the due diligence and transparency obligations set out in Articles 4(2)–(4) D-CSA; and
3. **controlled undertakings or branch offices in Switzerland of an undertaking with its registered seat outside Switzerland**, insofar as they are subject to the reporting requirements on sustainability aspects set out in Article 9(2) D-CSA.

Key provisions

Duties

Due Diligence and Transparency

Art. 4 D-CSA sets out the principle that certain large undertakings must comply, in Switzerland and abroad, with due diligence obligations relating to internationally recognised human rights and environmental standards Switzerland is bound to adhere to, covering their own activities as well as those of their controlled entities.

These due diligence obligations apply to Swiss undertakings, on a consolidated basis, if they meet one of the following criteria in two consecutive financial years:

- **more than 5,000 full time employees worldwide and global turnover exceeding CHF 1.5 billion**; or
- **licensing or franchise income exceeding CHF 75 million and global turnover exceeding CHF 275 million**, provided the contracts ensure a common identity, business concept and uniform business methods.

According to the Swiss government's assessment, currently around 30 Swiss companies fulfil these criteria. The scope is aligned with the EU Corporate Sustainability Due Diligence Directive ("**CSDDD**", find [here](#)) and the Corporate Sustainability Reporting Directive ("**CSRD**", find [here](#)), as amended by the recent EU Omnibus Regulation which is aimed to simplify the aforementioned existing regulations on sustainability reporting and due diligence obligations in the EU and to reduce the administrative burden on companies (for further information see [here](#)). Foreign undertakings may also be subject to the due diligence obligations with respect to their Swiss activities if they exceed the same thresholds on the Swiss market, in which case they must appoint a representative in Switzerland.

Undertakings may be exempted from the modalities for implementing these due diligence obligations if they comply with an equivalent, internationally recognised due diligence framework, subject to disclosure and reporting requirements (Art. 5 D-CSA).

The due diligence regime is risk-based. Undertakings must assess whether their own activities, those of their controlled companies and those of their business partners within the activity chain actually or potentially have negative impacts on human rights or the environment (Art. 6 para. 1 D-CSA). Companies must thereby inter alia:

- adopt a due diligence strategy and corresponding code of conduct and integrate them into corporate policy and risk management;
- identify, assess and prioritise actual and potential adverse human rights and environmental impacts; and
- prevent potential adverse impacts through appropriate preventive measures and action plans.

Compliance with the due diligence obligations must be documented and reported in accordance with the requirements set out in Article 7 D-CSA. The regime is based on self assessment, requiring undertakings to determine whether they fall within scope and to comply accordingly.

Requirement to report on sustainability issues

Art. 9–14 D-CSA introduce a mandatory sustainability reporting obligation for certain large undertakings. Swiss undertakings must prepare an annual sustainability report where, together with their controlled domestic and foreign entities, they exceed the statutory thresholds in two consecutive financial years. This is the case where the group employs **more than 1,000 full-time employees on average and generates global turnover exceeding CHF 450 million**. According to the Swiss government's assessment, around 110 Swiss companies fall within this scope currently and the scope is also aligned with the CSDDD and the CSRD.

In addition, controlled undertakings or Swiss branches of foreign undertakings are subject to the reporting obligation where, together with their controlled entities, they generate turnover exceeding CHF 450 million on the Swiss market in each of the last two financial years. In such cases, a representative must be appointed in Switzerland to cooperate with the supervisory authority (Art. 9 D-CSA). Undertakings may be exempt from the reporting obligation under certain circumstances. However, even where an exemption applies, specific disclosure and publication duties remain (Art. 10 D-CSA).

Art. 11 D-CSA sets out the purpose and content of the sustainability report. It must enable an understanding of the company's impacts on sustainability matters and of the effects of sustainability factors on the company's business, results and financial position. It must cover, in particular, environmental matters (including progress towards net-zero greenhouse gas emissions by 2050), social and employee matters, human rights, and governance aspects, including anti-corruption measures. The report must also address, inter alia, the business model and strategy, sustainability policies, governance responsibilities and expertise, risk-based due diligence processes, material risks and impacts across the value chain, measures taken to address them, and relevant key performance indicators.

According to Art. 12 et seq. D-CSA, the report must be prepared in accordance with EU sustainability reporting standards or an equivalent recognised standard, be approved by the competent corporate bodies, and be externally audited with limited assurance. It must be prepared in a Swiss national language or in English, published electronically in an internationally recognised format within the statutory deadline, submitted to the supervisory authority, and remain publicly accessible for at least ten years.

Liability

Under current law, liability for harm caused by lack of due diligence is governed by the general rules of the Swiss Code of Obligations ("CO"). To increase legal certainty and strengthen protection for affected persons, the Federal Council proposes to explicitly regulate parent company liability in the D-CSA and has included two variants for discussion in light of the controversial nature of this concept.

The first variant provides for an explicit liability rule: undertakings subject to due diligence obligations are liable for damage caused abroad if they intentionally or negligently breach these obligations; liability is limited to such breaches and does not extend to the conduct of business partners. Multiple undertakings may be jointly and severally liable.

The second variant refers to the general liability provisions of the CO, again excluding liability for business partners and providing for joint and several liability where applicable. In both cases, a mandatory conciliation procedure in Switzerland must precede any court proceedings.

Transparency Regarding Minerals and Metals from Conflict-Affected Areas and Child Labor

Sectorial due diligence and reporting obligations under Art. 964j-I CO and the Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour are maintained but also transferred to the D-CSA.

The D-CSA requires Swiss undertakings to comply with supply chain due diligence and reporting obligations if they:

- **place tin, tantalum, tungsten or gold from conflict or high-risk areas on the Swiss market or process them in Switzerland, or**
- **offer products or services where there is a justified suspicion of child labour and they do not fall under the general due diligence regime.**

The Federal Council sets annual import thresholds below which companies are exempt and may also exempt small and medium-sized enterprises or companies with low risk of child labour. Companies adhering to an equivalent internationally recognised framework may also be exempt.

Companies must establish a management system covering supply chain policy for minerals/metals and for products/services with suspected child labour, as well as a system for supply chain traceability. They must identify and assess risks, prepare a risk management plan, implement measures to minimise risks, and arrange for an external audit of compliance regarding minerals and metals.

Annual reporting is required, in a Swiss national language or English, published electronically within six months of the financial year-end and kept publicly accessible for at least ten years. If a report has already been prepared under this regime, no additional report is required for the same products or services.

Further aspects

- **Supervision:** With regards to supervision over the D-CSA, the Federal Council proposes that compliance with due diligence and reporting obligations in the areas of human rights and environmental protection be monitored by a single national

supervisory authority. For this purpose, it proposes a new supervisory body for the affected companies, which will be housed within the Federal Audit Oversight Authority (RAB), to be renamed as the Audit and Sustainability Oversight Authority (RNAB). Funding will come primarily from fees and, in part, from supervisory levies (Art. 20 et seq. D-CSA).

- **Sanctions:** With regards to criminal penalties, Art. 42 of the D-CSA foresees that any person who intentionally makes false statements in reports prepared pursuant to the D-CSA or fails to prepare or retain such reports as required by the D-CSA, may be punished by a fine of up to CHF 100,000. In addition, the RNAB may impose an administrative fine of up to three percent (3%) of the company's worldwide turnover in the previous financial year for breaches of certain administrative measures set out in Art. 30 D-CSA. The amount of the fine is determined based on the severity and duration of the violation, taking into account the company's financial situation, any profit gained from the breach, and the company's level of cooperation.
- **Implementation:** The D-CSA foresees a two-year transition period following entry into force, during which companies can prepare for the new obligations and build the necessary internal expertise. For financial years already underway at the time of entry into force, and for those beginning within the first two years, the previous legal framework will continue to apply.

Conclusion and Outlook

With this D-CSA, the Federal Council has opted for a proposal that does not go beyond the requirements of the EU Omnibus Directive. This ensures that Switzerland introduces equivalent, but not stricter obligations, while increasing legal certainty and predictability for large companies directly affected, introducing supporting measures for SMEs, and preventing trade barriers with the EU. According to the Federal Council, this counterproposal aims to present a compromise solution that achieves an appropriate balance between economic effort, regulatory impact, and international compatibility.

Nonetheless, the proposal immediately met with fierce criticism by the Swiss private sector joining forces to fight ever more costly regulatory constraints in times of global economic uncertainty that prove particularly challenging for Swiss companies depending on international trade.

Once the consultation process is closed on 9 July 2026, the D-CSA will be finalised into a legislative proposal, and given it will serve as a direct counterproposal to the **Responsible Business Initiative 2.0**, eventually a popular vote will likely be decisive. To date, neither the final scope of the new law nor its entry into force date can be determined. While the outcome or specific timeline cannot yet be determined, it seems clear that, especially given the significant impact of EU ESG legislation on Swiss companies, ESG due diligence and reporting obligations are here to stay. In this sense, the D-CSA offers a step towards more streamlined and less burdensome duties in line with the new EU approach.

A key change is certainly that the number of companies affected will decrease, with – as currently anticipated – only around 100 of the largest Swiss companies falling within scope. However, those subject to the new rules will face stricter due diligence and reporting requirements, increased government oversight, new sanctions, and greater liability exposure. Despite the current uncertainty in outcome, Swiss companies can and should nevertheless prepare and plan ahead. We specifically recommend:

- **Remaining proactive in monitoring supply chain due diligence and sustainability developments:** the consultation phase is an opportunity to influence the final framework, so companies, whether directly or indirectly affected, should review the draft and consider providing feedback.
- **Recognizing that obligations and oversight are becoming more stringent and preparing for enhanced scrutiny and supervisory measures:** Companies should determine whether they would likely fall within the scope of the D-CSA and begin preparing accordingly.
- **Anticipating higher compliance and litigation risks:** expanded due diligence requirements, mandatory audits of sustainability reports, and new supervisory authority powers (including potential fines up to 3% of global turnover) will significantly increase exposure.
- **Prioritizing robust governance and effective compliance management:** thorough understanding of value and supply chains, strong internal controls, thorough risk assessments, and reliable remediation processes will be essential to mitigate liability and enforcement risks.

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