

Swiss ESG regulation update

Key takeaways from the Federal Council’s proposal of 1 April 2026

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After a prolonged wait-and-see phase, the Swiss Federal Council has now provided important insights on its vision for the future of Swiss sustainability regulation.

Following the temporary halt of revisions to sustainability reporting and corporate due diligence requirements under the Swiss Code of Obligations (Swiss CO) – pending regulatory developments in the EU, in particular the Omnibus package – the Federal Council published last week a new draft law, the **Federal Act on Sustainable Corporate Governance** (German: *Bundesgesetz über die nachhaltige Unternehmensführung, NUFG*).

The draft law addresses two regulatory streams in parallel: Non-financial reporting obligations and corporate due diligence obligations.

The consultation was opened on 1 April 2026, and is running until 9 July 2026

Key highlights of the draft for the Federal Act on Sustainable Corporate Governance:

Non-financial reporting	Due diligence
<p>Scope: Reporting obligations no longer apply only to Public Interest Entities (PIEs) but extend to all large Swiss groups with more than 1,000 FTEs and annual turnover exceeding CHF 450 million.</p>	<p>Scope: Obligatory risk-based human rights and environmental due diligence for large companies (>5'000 FTEs and >CHF 1.5 billion turnover) along their chain of activities, aligned with the CSDDD.</p>
<p>EU alignment with flexibility: Strong alignment with the CSRD/ESRS framework; reporting under ESRS or equivalent internationally recognized standards is permitted.</p>	<p>Civil liability: Two variants of civil liability for due diligence failures relating to human rights and environmental impacts in Switzerland and abroad.</p>
<p>Assurance requirement: Limited assurance becomes mandatory for sustainability and due diligence reporting.</p>	<p>SMEs not directly in scope: Limited information requests for SMEs and support obligations for in-scope companies toward smaller business partners.</p>
<p>Limited but potential SME impact: SMEs remain out of scope, but may be subject to data requests, provided such data is commonly exchanged within the sector or covered by an international voluntary reporting standard.</p>	<p>Conflict minerals and child labor due diligence obligations: Existing provisions of Art. 964j ff. CO / DDTrO remain unchanged (including current scope).</p>
<p>Compliance monitoring by the Federal Audit and Sustainability Oversight Authority (“Eidgenössische Revisions- und Nachhaltigkeitsaufsichtsbehörde (RNAB), formerly the “Eidgenössische Revisionsaufsichtsbehörde (RAB))</p>	

The new draft law, an indirect counterproposal to the new popular initiative “For responsible large businesses – protecting human rights and the environment (KVI 2.0)”, marks Switzerland’s **promised move toward an EU-aligned update of its sustainability regulatory framework**, preventing any Swiss gold plating and protecting SMEs from overreaching information requests.

For Swiss companies, this thereby marks the **gradual end of a period of regulatory uncertainty**. While the final version of the law is still pending and changes might be possible due to the upcoming political process, the direction is now clear enough to start reflecting on implications and potential strategic actions.

Below, we detail the proposed requirements for non-financial reporting and due diligence.

Non-financial reporting obligations

The revised non-financial reporting obligations – which now extend beyond the previously captured Public Interest Entities (PIEs) – will apply to:

1. **Large Swiss groups** exceeding the following thresholds in **two consecutive financial years**:
 - **Full-time equivalents (FTE): >1'000** on an annual average basis, and
 - **Net turnover: >CHF 450 million worldwide**
2. **Foreign-controlled companies and Swiss branches of foreign-based groups**, if – together with the controlled domestic and foreign entities – they generate **>CHF 450 million net turnover in Switzerland** over two consecutive financial years.

The following exemptions may apply:

- Entities preparing an equivalent report under foreign law;
- Entities controlled by another entity that prepares an equivalent report under foreign law;
- Holding entities, i.e., entities whose sole or predominant purpose is the acquisition, holding, or management of participations in controlled entities, and which do not carry out operational activities or provide management, administrative, or service functions to those entities.

What are the required contents of the non-financial report?

Swiss companies would need to cover the following key areas in their non-financial reporting under the NUG:

1. Double materiality: Companies report sustainability matters from both an impact perspective and a financial perspective. While already part of the current law, the draft law further clarifies and strengthens the double materiality approach. The report must cover the most significant actual or potential negative impacts across the value chain, the measures to prevent, mitigate, or remediate them, and the key sustainability-related risks, including how they are managed and the effectiveness of mitigation efforts.

2. Key topics and policies: Reporting should cover environmental matters (in particular, information on progress toward achieving the net-zero greenhouse gas emissions target by 2050), social issues (including employee matters), human rights, and governance (including anti-corruption matters). Companies must also describe how sustainability is integrated into their business model and strategy and outline relevant corporate policies.

3. Governance and incentives: Companies should disclose the responsibilities, oversight role, and sustainability expertise of the board or equivalent governing body, as well as any sustainability-related incentives for the board or executive management.

4. Sustainability targets and performance: Reports must include the timeline for sustainability targets and key performance indicators to track progress, performance, and risk exposure.

5. Risk-based due diligence: Companies must explain which sustainability areas are covered, how due diligence is conducted, and the measures taken or planned to manage identified risks.

Important: Companies that are not formally in scope may still be indirectly affected, for example through data requests from business partners who require such information for their own monitoring and reporting purposes.

In this context, companies subject to reporting obligations may request information from smaller business partners (fewer than 1'000 FTEs) only to the extent commonly exchanged within the sector and covered by an international voluntary standard for non-financial reporting. The applicable standard will be specified by the Federal Council in an ordinance.

Additional formal requirements include:

- **Application of an internationally recognized sustainability reporting standard:**
Companies must comply with the EU standards (ESRS) or another equivalent national or international standard for sustainability reporting, including for the double materiality assessment. Equivalence of other standards, such as IFRS SDS and GRI SRS, is currently under review. The Federal Council will specify in an ordinance which standards may be considered equivalent.
- **Mandatory external limited assurance:**
Sustainability reports must undergo limited assurance.
- **Mandatory electronic reporting:**
Companies must prepare sustainability reports in a standardized electronic format aligned with internationally recognized standards, particularly those used in the EU. The Federal Council will define technical requirements; a possible option would be, for example, the European Single Electronic Format (ESEF).
- **Approval process:**
The sustainability report must be approved through a two-step process: first by the highest governing or management body (Board of Directors for corporations / Executive Management for a GmbH), and then by the body responsible for the annual and consolidated financial statements (General Meeting of Shareholders for corporations). The General Meeting's decision is binding; if rejected, the report must still be published but clearly marked as "not approved".

Corporate due diligence obligations

The new general human rights and environmental due diligence obligations will apply to:

1. **Large Swiss companies** exceeding the following thresholds in two consecutive financial years:
 - **FTE: >5'000** on an annual average basis, and
 - **Net turnover: >CHF 1.5 billion worldwide;**
2. **Foreign-controlled companies and Swiss branches of foreign-based groups, if – together with the controlled domestic and foreign entities – they generate >CHF 1.5 billion net turnover in Switzerland** over two consecutive financial years.

In addition to the thresholds outlined above, the due diligence obligations also extend to groups with significant franchising or licensing activities in Switzerland.

This includes **Swiss groups that generate >CHF 75 million in revenue from franchising or licensing agreements in Switzerland** and a **worldwide net turnover of >CHF 275 million**, as well as **foreign-controlled companies that generate >CHF 75 million in franchising or licensing revenue in Switzerland** combined with **net turnover of >CHF 275 million in Switzerland**.

What are core elements of the new corporate due diligence obligations?

1. Companies in scope must **conduct risk-based assessments** to identify **actual and potential adverse impacts** on internationally recognized **human rights and environmental** standards, focusing on areas where adverse impacts are most likely and most severe.
2. The assessment must cover their **own operations, controlled entities, and business partners** along their chain of activities (upstream and - limited - downstream), whereas companies can limit their efforts to receive "reasonably available" information.
3. The specific steps required (DD strategy, risk and impact identification, impact mitigation, stakeholder engagement, grievance mechanism, monitoring) are **aligned with established international due diligence frameworks**, in particular the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises.

Important additional requirements:

- **Obligations for SMEs:** SMEs are not directly in scope of the due diligence requirements but may be indirectly affected as business partners in the chain of activities. Large companies in scope are required to provide appropriate support to SMEs when requesting due diligence information. Examples could be through online platforms, factsheets, templates or financial support for trainings.
- **Limited information request:** Large companies may only request information from their smaller business partners (less than 5'000 FTEs) if it is otherwise not available. The detailed criteria for determining when information is "otherwise not available" are set out in the explanatory report.
- **Documentation and reporting:** Companies must maintain continuous internal documentation demonstrating compliance with their due diligence obligations. In addition, the highest governing body is required to publish an annual due diligence report within six months of the end of the financial year and submit it to the supervisory authority. Companies that prepare a sustainability report are exempt from separate due diligence reporting requirements, provided that all relevant due diligence information is included in that report.

The existing due diligence and transparency obligations regarding **conflict minerals and child labor (Art. 964j ff. CO and DDTrO)** will remain (including current scope) and be **transposed into the new federal act**. According to the explanatory report, the liability and supervisory provisions of the NUGF do not apply.

Liability and enforcement:

To enhance legal certainty, the NUG explicitly introduces civil liability in connection with due diligence obligations. The counterproposal focuses on legal clarification rather than a fundamental expansion of liability exposure. It provides for two alternative liability models for the consultation process:

1. A fault-based liability regime, requiring proof of a breach of due diligence obligations; or
2. A reference to the general liability rules of the Swiss CO.

Under both variants: There is an explicit exclusion of liability for the conduct of independent business partners. And a mandatory conciliation procedure (German: *Schlichtungsverfahren*) at cantonal level must take place before court proceedings can be initiated.

Compliance monitoring of reporting and due diligence requirements by a national supervisory authority

Under the new law, supervision will be carried out by the **Federal Audit and Sustainability Oversight Authority** (German: *Eidgenössische Revisions- und Nachhaltigkeitsaufsichtsbehörde (RNAB)*, formerly the *Eidgenössische Revisionsaufsichtsbehörde (RAB)*).

The authority maintains a publicly accessible electronic register of companies in scope and monitors compliance with the formal requirements of due diligence and sustainability reports.

It ensures that all submitted reports – including annual, due diligence, assurance, and sustainability reports – are made publicly available and oversees adherence to due diligence and transparency obligations.

The authority also **processes submitted concerns** regarding potential violations (German: *Verdachtsmeldungen*).

In cases of non-compliance, it may impose **administrative measures**, such as prohibiting certain conduct or ordering remedial action and/or **financial sanctions** of up to 3% of global turnover.

Criminal fines of up to CHF 100,000 may additionally apply in cases of intentional false statements in reports or a complete failure to submit a report.

What are the next steps?

Based on current expectations, the following indicative timeline for the upcoming legislative process is foreseen:

- Public consultation period for the indirect counterproposal: 1 April to 9 July 2026
- Start of parliamentary deliberations: Fall 2026

A specific date for the law to enter into force has not yet been set, which will also depend on a possible popular vote on the Responsible Business Initiative (“KVI 2.0”).

In case the coalition behind the initiative decides to withdraw it, the indirect counterproposal will automatically become law once the legislative process is finalized. After entry into force a two-year transition period will apply, during which existing rules will continue to govern ongoing and newly commencing financial years.



What does this mean in practice for companies?

Companies potentially in scope under the NUG are advised to start by familiarizing themselves with the emerging Swiss requirements and assessing their implications. Those already planning to align with EU requirements will have a solid foundation for meeting future Swiss obligations.

Under the current proposal, reporting according to CSRD requirements is expected to satisfy the Swiss non-financial reporting requirements, with no additional Swiss-specific reporting needed.

For due diligence, companies complying with the Corporate Sustainability Due Diligence Directive (CSDDD) are likewise expected to meet the Swiss requirements, making early alignment with EU standards a strategic advantage.

1. Governance gains importance

For companies in scope, the new requirements go beyond reporting and increasingly shape core aspects of corporate governance. Sustainability and due diligence become explicit responsibilities at both board and executive management level, with clearly articulated oversight and accountability expectations.

This means in particular:

- Clearly defining roles and responsibilities across board and executive management;
- Ensuring sufficient ESG expertise at board and management level, supported by ongoing competence development;
- Integrating material ESG risks and opportunities into core governance, strategy and enterprise risk management frameworks;
- Embedding human rights and environmental due diligence into governance and decision-making processes.

2. Reporting becomes data-driven and subject to assurance

Aligned with the EU sustainability reporting framework, Swiss sustainability reporting is evolving into a structured, data-driven and assurance-ready discipline. Companies can no longer rely primarily on narrative disclosures; reporting increasingly depends on consistent, measurable and auditable ESG data, supported by robust governance and controls.

Meeting these evolving requirements involves several key steps:

- Conducting a **double materiality assessment** to identify ESG matters that are most significant from both an impact and financial risk perspective;
- Performing a structured **gap assessment** to assess current reporting maturity, data availability and alignment with applicable reporting standards;
- Defining consistent, reliable and traceable **KPIs** aligned with reporting standards and business steering;
- Establishing **clear governance structures** for sustainability reporting, including defined roles, responsibilities, and policies;
- Implementing standardized **processes and controls** to ensure data accuracy, consistency and assurance-readiness, leveraging technology and AI for scalable data management;
- Preparing early for **assurance**, including reviewing governance, processes and data flows against assurance expectations and engaging proactively with external auditors.

3. Due diligence requirements become operational

Through alignment with the CSDDD, due diligence obligations for Swiss companies evolve from a limited, topic-specific approach towards a risk-based and operational due diligence framework.

This entails in particular:

- **Embedding due diligence** into corporate policy, risk management, processes and controls, recognizing that the pure existence of documents like the Supplier Code of Conducts alone will no longer be sufficient;
- **Extending internal risk management and due diligence processes** to cover a wider range of human rights and environmental issues, following the removal of the current thematic restriction of the Swiss CO/DDTrO to conflict minerals and child labor;
- Conducting ongoing, **risk-based analyses** to identify and assess actual and potential adverse impacts on human rights and the environment, prioritized by severity and likelihood;
- Implementing appropriate **preventive and remedial measures**, including the establishment of effective grievance mechanisms;
- Applying these obligations across the **entire chain of activities** – own operations, subsidiaries and, based on risk, direct and indirect business partners – while allowing a focus on “reasonably available information”.

How we can support

We help companies implement the new requirements end-to-end – from strategy to execution:



Strategy & Materiality

- Clarifying reporting and due diligence obligations and defining a strategic approach
- Conducting gap and materiality assessments
- Advising and training Boards and Executive Management



Governance & Processes

- Designing and optimizing governance structures
- Implementing risk-based due diligence across the value chain
- Developing and improving grievance mechanisms and integrating them into risk and control frameworks



Reporting & Assurance

- Establishing assurance-ready reporting processes
- Preparing for limited assurance

We bring regulatory know-how and business insight together to make sustainability a strategic advantage. **Let's explore how we can support your company.**

Do you have any questions?

Let's continue the conversation. **Contact us directly** with any questions or explore our ESG services at www.kpmg.ch/esg.



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