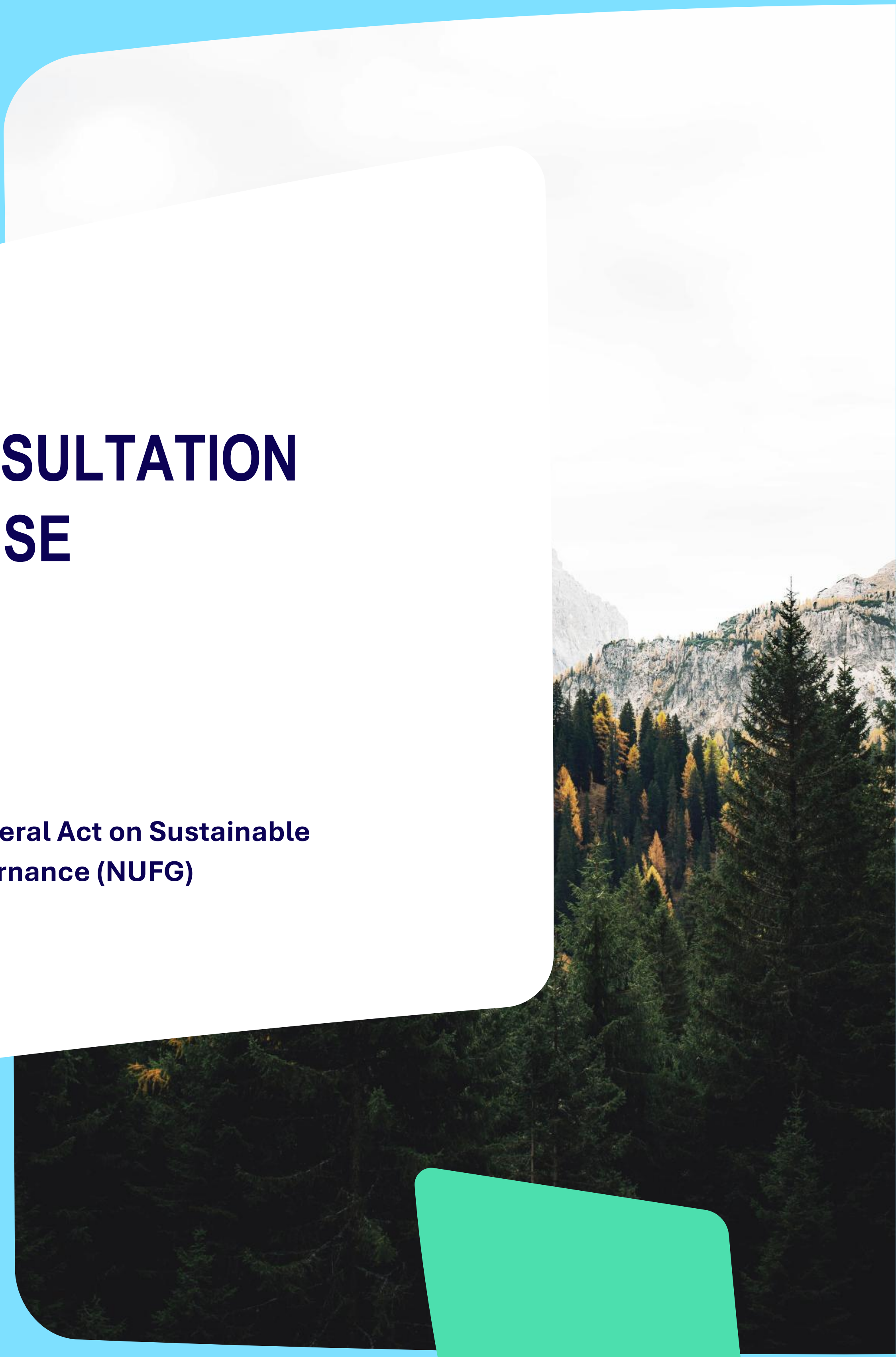

PRI CONSULTATION RESPONSE

Swiss Draft Federal Act on Sustainable Corporate Governance (NUFG)

July 2026

An investor initiative in partnership with
UNEP Finance Initiative and UN Global Compact

About this consultation

The Federal Council has opened a consultation on the draft Federal Act on Sustainable Corporate Governance (NUFG), its indirect counterproposal to the so-called "Responsible Business Initiative 2.0", launched in January 2025. The consultation runs from 1 April to 9 July 2026. The NUFG would replace existing sustainability reporting provisions in the Swiss Code of Obligations, which since 2022 have required large companies to disclose environmental, social, human rights and anti-corruption risks, albeit without a binding reporting standard or external assurance. Existing due diligence obligations on child labour and conflict minerals would remain unchanged. The proposal aims to establish a coherent framework for sustainability reporting and human rights and environmental due diligence, aligned with EU developments such as the CSRD and CSDDD, to improve legal certainty, comparability and alignment with international expectations.

The PRI is the leading organisation in advancing responsible investment globally. Set up with United Nations' support, our unique community contributes to stable financial markets and a more prosperous world for all. We bring together signatories, amplify their voices and provide resources and guidance for complex sustainability challenges. The six Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the Federal Council consultation on Sustainable Corporate Governance Law.

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To inform this paper, the following group has been consulted: Swiss Policy Reference Group

While the policy recommendations herein have been developed to be globally applicable, the PRI recognises that the way in which policy reforms are implemented may vary by jurisdiction and according to local circumstances. Similarly, the PRI recognises that there may be circumstances where there are merits to allowing market-led initiatives to precede regulatory requirements.

Executive summary

In April 2026, the Swiss Federal Council launched a public consultation on a draft Federal Act on Corporate Sustainability Due Diligence and Transparency Obligations (NUFG), which is the government's alternative to a citizen-led initiative, the Responsible Business Initiative, launched in 2025. The proposal seeks to update Switzerland's sustainability and due diligence reporting obligations while maintaining alignment with international developments, particularly the EU Omnibus I Directive, to preserve the competitiveness of Swiss companies.

Since January 2022, the Swiss Code of Obligations (Art. 964a et seq. CO) has required around 200 large, listed companies to report on environmental, social, human rights and anti-corruption matters, but without mandating specific reporting standard to follow, nor external assurance. In addition, the scope of due diligence requirements is narrow, covering only child labour and conflict minerals.

The NUFG would replace this framework with a dedicated law covering both sustainability reporting and human rights and environmental due diligence. Key proposed changes compared with the current regime include:

- **A narrower scope, aligned with the EU Omnibus directive revising CSRD and CSDDD**, reducing the number of companies subject to reporting requirements.
- **Expanded due diligence obligations** beyond child labour and conflict minerals to cover human rights and environmental risks across the value chain under a risk-based approach.
- **A clearer corporate liability framework**, with dedicated liability provisions for companies subject to due diligence requirements.
- **Mandatory external assurance** of sustainability reports with limited assurance verification.
- **Regulatory oversight**, including supervision by a competent authority -the Federal Audit and Sustainability Supervisory Authority - and the appointment of a Swiss representative for foreign in-scope companies to cooperate with the Swiss authorities.
- **Application to certain third-country companies** with significant operations or turnover in Switzerland.

The PRI welcomes the overall direction of the proposal and its efforts to align the Swiss framework with international developments. To ensure the regime remains effective for investors and supports high-quality sustainability reporting and due diligence practices, the PRI recommends to:

1. **Ensure that the reduced scope does not undermine data availability and the reliability of value-chain information for investors.**
2. **Clarify which reporting standards should be used and ensure interoperability, including for climate-related disclosures.**
3. **Introduce a clear liability rule in the NUFG to ensure coherence with the EU CSDDD**

Key recommendations

The PRI welcomes the Federal Council's proposal, which strengthens Switzerland's due diligence and sustainability reporting framework. The draft broadens due diligence obligations across all sectors and consolidates sustainability-related requirements into a single regulatory instrument. The PRI welcomes the introduction of a dedicated supervisory authority, mandatory external audits, and the requirement for sustainability reports to be subject to a binding shareholder vote. Together, these measures are expected to strengthen accountability and improve the reliability of sustainability-related information for investors. The PRI further welcomes the strong alignment with EU regulations and notes with interest the Federal Council's presentation of two options regarding the liability regime. To address the civil liability of Swiss parent companies for harm caused by their foreign subsidiaries, the Federal Council proposes either a specific liability provision in the NUFG (Option 1) or the application of the general rules of the Swiss Code of Obligations (Option 2).

At the same time, several aspects of the proposal should be further scrutinised as part of the ongoing legislative process. The proposed scope, reduced by nearly half - while broadly aligned with the EU Omnibus I Directive - may have consequences regarding the breadth and consistency of sustainability-related data available to investors across portfolios. The introduction of the reference to reporting standards, as the ESRS is welcomed; however, further clarification would be beneficial regarding the future frameworks, including the potential direct use of ESRS and/or ISSB standards.

The following recommendations aim to clarify key elements of the proposal and enhance its alignment with investor needs and international regulatory practice.

1. **Ensure that the reduced scope does not undermine data availability and the reliability of value-chain information for investors**

Under the current framework, approximately 200 Swiss companies are subject to sustainability reporting obligations under Art. 964b CO. The proposal would reduce this number to roughly half, as smaller listed companies previously required to report would now be exempt. While this adjustment aligns with the EU Omnibus Directive amending CSRD scope, it is likely to reduce the availability of sustainability information across both listed and unlisted portfolios. A narrower scope will also affect the reliability of value chain data, as fewer entities will be required to report primary information. This may undermine investors' ability to conduct robust portfolio-level assessments, identify sustainability-related risks and opportunities, compare issuers consistently across markets, and engage in effective stewardship, as meaningful engagement and monitoring depend on access to reliable and comparable sustainability data. Reducing the coverage of disclosure obligations risks widening existing information gaps and increasing investors' reliance on third-party estimates. At the same time, companies out of the regulation's scope may continue to face pressure to respond to multiple questionnaires and bilateral data requests, impacting data reporting efficiency without necessarily improving transparency objectives.

The PRI therefore recommends that the Federal Council assess the implications of a reduced scope for portfolio level data coverage and consider transitional measures or complementary disclosure requirements to preserve minimum information availability for investors, for example introducing proportionate requirements for companies falling outside the revised scope or supporting the phased implementation of reporting obligations.

2. **Clarify which reporting standards should be used and ensure interoperability, including for climate-related disclosures**

While the introduction of mandatory reporting standards is welcome, the regulation should explicitly identify which frameworks will apply in practice (e.g., ESRS, ISSB). Given the Federal Council's role in defining detailed climate-related disclosure in a section of the report, ensuring full interoperability with the Swiss Climate Information Ordinance (CIA) will be vital. The PRI recommends maintaining coherence with existing

Swiss requirements while aligning with international reporting frameworks to enhance comparability and reduce reporting fragmentation. Alignment efforts should not, however, erode existing climate-related obligations under the CIA. As the Swiss framework evolves alongside similar developments in the EU, maintaining strong expectations on transition planning and implementation will be key to upholding robust climate accountability.

The draft also introduces a value-chain cap aligned with the EU Omnibus I Directive. The PRI welcomes this alignment, as it preserves interoperability and avoids a Swiss-specific approach. However, introducing a cap implies that certain companies will fall outside mandatory value-chain reporting. To avoid widening information gaps for investors, the PRI recommends that the Federal Council provide guidance on recognised sustainability standards that companies outside the cap could use. Frameworks such as the ESRS VSME could serve as relevant reference points for smaller entities, helping maintain minimum information availability and support consistent disclosure practices across the market.

3. **Introduce a clear liability rule in the NUFG to ensure coherence with the EU CSDDD**

The Federal Council proposes two approaches to the civil liability of Swiss parent companies for damages caused by foreign subsidiaries: either (i) an explicit liability provision within the NUFG (Option 1), or (ii) reliance on the general rules of the Swiss Code of Obligations (Option 2).

The PRI recommends introducing an explicit liability provision within the NUFG, favouring Option 1. A dedicated statutory framework would provide greater legal certainty and predictability by clearly defining when parent company liability may arise, and by reducing reliance on case-by-case judicial interpretation.

Such an approach would also ensure higher coherence with the EU CSDDD, which is based on a structured due diligence system supported by effective enforcement and liability mechanisms. Aligning the Swiss framework with the EU approach would enhance regulatory interoperability and improve cross-border consistency for companies and investors.

Finally, linking due diligence obligations to a clearly defined liability framework would strengthen the effectiveness and credibility of the regime, while improving transparency on risk allocation across value chains.

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of the Swiss Federal Council further improve ESG disclosure and corporate accountability in Switzerland.

Please send any questions or comments to policy@unpri.org.

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