



Demystifying ESG regulation

What Swiss board members need to know

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Executive summary

Are Swiss boards ready to turn ESG regulation from a compliance exercise into a strategic advantage? As sustainability rapidly reshapes the corporate landscape, this white paper demystifies the complex and evolving world of ESG regulations in Switzerland and the EU. It offers board members essential insights into the latest regulatory developments — from the EU's Corporate Sustainability Reporting Directive (CSRD) to Switzerland's mandatory non-financial reporting — and explains what these mean for governance, risk management, and value creation.

Far from being a box-ticking exercise, ESG regulation is unlocking trillions in value, driving innovation, and reshaping access to capital and markets. Leading companies are already leveraging these changes to build resilience, enhance brand reputation, and capture new growth opportunities. Yet, many boards still face challenges in expertise, oversight, and strategic integration.

This paper equips Swiss board members with practical tips to embed ESG into the heart of governance and strategy — transforming fiduciary duty into forward-looking leadership. We invite board members to embrace this pivotal moment, not only to meet rising stakeholder expectations but to position their companies for long-term success in a rapidly changing world.



The latest developments: Key ESG regulatory drivers and inhibitors in Switzerland and the EU

Enhancing transparency through reporting

When the CSRD¹ was first introduced, it had businesses in a scramble. Regulations on sustainability-related topics had previously largely been limited to specific areas, including controlling local air and water pollution², managing electronic waste collection³, or limiting the use of hazardous substances⁴, to name a few. Sustainability reporting was largely based on voluntary standards and frameworks. With the CSRD, companies now have an obligation to report detailed disclosures on environmental, social, and governance factors and follow a specific framework – all with the goal of enhancing transparency, accountability, and comparability. Since the introduction of the CSRD, discourse around sustainability regulations – and indeed corporate sustainability itself – has been dominated by discussions and interpretations of the regulation and what exactly is required in which circumstances.

The European Green Deal

Part of a package of sustainability-related regulations under the European Green Deal, the CSRD is accompanied by the **EU Taxonomy** regulation⁵, which introduces a common classification system establishing a list of and criteria for environmentally sustainable economic activities to guide investments towards “green” activities. Other complementary measures include the **European Union Deforestation Regulation (EUDR)**⁶, which requires companies to conduct due diligence to ensure that commodities placed on the EU market are not linked to deforestation or forest degradation, the **Corporate Sustainability Due Diligence Directive (CSDDD)**⁷, which requires companies to demonstrate due diligence throughout their supply chains regarding human rights and environmental impacts, and the **Carbon Border Adjustment Mechanism (CBAM)**⁸, which requires importers to purchase carbon certificates corresponding to the embedded emissions in goods imported into the EU, with the goal of ensuring that foreign producers adhere to similar carbon pricing standards as those within the EU.

Shifting regulatory approach

The approach to sustainability regulations in the EU marks a significant shift in regulatory strategy, with rules applying not only to large public companies based in the EU, but also to those – including privately-owned companies – headquartered elsewhere that have significant presence in the EU or introduce certain types of goods to the EU market. In this sense, these regulations

can play an important role in driving sustainability action where it may not have otherwise taken place, obligating companies to take action in specific areas and produce public disclosures accordingly. While differing in scope, applicability, and approach, these regulations all seek to increase transparency around human rights and environmental impacts companies may contribute to, either through their own activities or across their value chains and aim to ensure that companies address the adverse impacts of their activities.

ESG regulations in Switzerland

In parallel to EU regulations, several countries have seen increasing sustainability-related regulatory requirements, with Switzerland introducing legislation on mandatory non-financial reporting for large, listed companies. This reporting, governed by the **Swiss Code of Obligations OR-Art 964a. ff**⁹, should cover at a minimum environmental matter, in particular the CO₂ reduction goals, social issues, employee-related issues, respect for human rights and combating corruption, with specific additional disclosure requirements on human rights and child labour due diligence, and on climate reporting mandated by the ordinances accompanying OR-Art 964.

Large, listed Swiss-based companies as well as all companies subject to ordinary audit must also report on the **Ordinance on Due Diligence and Transparency**¹⁰, which requires companies to assess human rights and environmental risks in their supply chains in relation to minerals and metals from conflict-affected areas and implement compliance management systems to manage and monitor the risks. Meanwhile, the **Swiss Ordinance on Climate Disclosures**¹¹ requires large public companies and financial institutions to disclose their climate-related risks, impacts, and strategies in alignment with the recommendations of the **Task Force on Climate-related Financial Disclosures (TCFD)**¹².

These disclosure-related requirements are completed by further regulations, including the 2024 amendment to the **Unfair Competition Act**¹³, which specifies that no claims on sustainability (related to the companies themselves, their work, goods, or services) can be made if they cannot be substantiated on the basis of objective and verifiable criteria.

Regulatory complexity as a hindrance to sustainability

While Switzerland and the EU are making significant strides in advancing ESG regulations, challenges remain. Regulatory requirements have been pushing companies to put significantly more resources towards sustainability reporting and transparency over the past few years. At the same time, there is uncertainty created by vague phrasing and, particularly over the last year, by changing regulatory requirements in the EU. The “Omnibus” proposals¹⁴, which aim to streamline mandatory disclosures to optimise reporting and enhance competitiveness, may present challenges for companies that have been diligently preparing to comply with the original scope. With concrete legal updates expected later in 2025, companies may find themselves stuck in limbo in the interim. Indeed, the back and forth creates its own challenges for companies attempting to navigate an already-complex regulatory landscape. As these regions continue to refine their regulatory frameworks, businesses must adapt to these changes to remain competitive and responsible in the evolving ESG landscape.



Beyond compliance: How can ESG regulation enable business opportunities?

ESG regulations are rapidly evolving from a compliance exercise into one of the largest value-creation opportunities of our time. The Disclosure Dividend 2025 reveals that companies have already unlocked over USD4.4 trillion in environmental opportunities and are positioned to access USD13.2 trillion more in untapped value¹⁵. On the nature side, The World Economic Forum estimates that nature positive business models alone could unlock over USD 10 trillion in annual business opportunities by 2030 while creating 395 million jobs¹⁶. Rather than viewing ESG requirements as a mere box-ticking exercise, leading companies are leveraging regulatory momentum to unlock new business opportunities, drive innovation, and create long-term value for stakeholders.

Access to capital and investor confidence

Investors' confidence and access to favourable financing terms increasingly hinge on robust ESG compliance and regulations elevates this from an obligation to a competitive edge. This shift is further reinforced by investor-led initiatives such as Climate Action 100+ and Nature Action 100, which encourage large corporations to adopt more ambitious measures addressing climate change, nature, and biodiversity loss.

A notable example is Enel, which launched a EUR 2 billion, triple-tranche Sustainability-Linked Bond (SLB) in early 2025 that attracted approximately EUR 5 billion in orders, signalling strong investor demand and trust. Over the years, Enel has become the world's largest SLB issuer, achieving record-setting issuances such as a USD 4 billion issue in July 2021 and a GBP 750 million issue in April 2022.¹⁷

Access to markets

Regulation is redrawing eligibility to sell into certain markets. The EU's Carbon Border Adjustment Mechanism effectively tilts demand toward lower-carbon materials by putting a carbon price on embedded emissions at the border – creating a structural advantage for producers to decarbonise. For Swiss exporters into the EU, CBAM is less a tax than a market making tool: those who qualify will keep (or gain) access, those that do not, will face a penalty.

In batteries, the EU's new Regulation 2023/1542 phases in mandatory digital 'battery passports'¹⁸. Suppliers that can prove carbon footprint, due diligence and circularity data will be able to place products on the EU market; those without traceability will not. This is market access by design.

ESG as a catalyst for innovation and market differentiation

ESG regulation compels companies to systematically assess their environmental and social impacts, often leading to the identification of operational inefficiencies and untapped market needs. For example, Swiss multinational Nestlé has gone beyond regulatory requirements by investing in regenerative agriculture and sustainable packaging. These initiatives not only ensure compliance with evolving EU packaging and waste directives but also position Nestlé as a leader in sustainable food systems, opening up new product lines and strengthening brand loyalty among environmentally-conscious consumers¹⁹.

Supply chain resilience

ESG regulation addressing supply chain due diligence including CSDDD and EUDR are requiring visibility – and with it, are strengthening operational resilience. Companies that embrace these requirements can build more resilient and transparent supply chains, reduce operational risks and foster trust with customers and partners.

A concrete example is Richemont, the Swiss luxury goods group, which has implemented rigorous supply chain traceability for precious metals and gemstones. By exceeding regulatory expectations, Richemont is not only minimizing reputational risks, but also attracting B2B customers and partners who prioritise ethical sourcing²⁰.

What this means for boards

The fiduciary duty of directors of a board is no longer limited to financial risk. Increasingly, directors are expected to consider sustainability as part of their duty of care. Large investors have made ESG a central concern²¹, and the OECD's 2023 Principles of Corporate Governance²² reflect this broader expectation. In Switzerland, legal recognition of this shift is evolving, but the direction is clear.

Board-level oversight of sustainability has become a regulatory requirement. Under Swiss law (OR 964), the board must approve the non-financial report and due diligence reports on child labour and conflict minerals (since January 2023), and the climate report based on TCFD (since January 2024). In the EU, the CSRD assigns audit committees explicit responsibility for the integrity of sustainability reporting, auditor independence, and supervision of the reporting process (CSRD Art. 76). The European Sustainability Reporting Standards (ESRS) add further obligations¹, requiring disclosure of how the board integrates sustainability into governance. This includes board expertise, frequency and format of reporting, integration into strategy, links to incentives, and risk management processes. The CSDDD extends these requirements further, obliging large companies to publish transition plans and linking director remuneration to climate alignment (Art. 15)⁷.

While meeting regulatory requirements is understandably a priority, boards that see ESG only through a compliance lens risk missing the strategic upside. Research shows that strong governance is linked to long-term value creation²³. Swiss multinationals such as Nestlé and Richemont already integrate sustainability at board level, treating it not only as risk management but also as a driver of innovation and competitiveness.

Competence and composition remain challenges. Swiss and EU boards tend to have low turnover, which limits the inflow of directors with ESG expertise. At the same time, stakeholder expectations continue to grow. Investors, regulators, employees, and the wider public increasingly expect transparency, accountability, and active engagement. Board members need to inform themselves on this dynamic environment. The Swiss Code of Best Practice has started to reflect this shift, but most boards are still in the process of adapting²⁴.

Key takeaway: Fiduciary duty is expanding, regulation is raising the stakes, and stakeholders are demanding more. Boards that respond with a compliance-only mindset will struggle to keep pace. Those that embed ESG into governance structures, board competence, and strategic direction will be better positioned to manage risk and capture opportunity.

Priority actions for Swiss boards

For Swiss boards, the ESG agenda has become a critical opportunity for leadership. With OR 964 in force and EU regulations directly impacting many Swiss companies, directors must treat sustainability as part of their fiduciary duty and unlock the opportunity to create strategic value. The following priorities provide a practical checklist:

- **Bring in expertise.** Recruit at least one director with proven sustainability credentials. Low turnover in Swiss boards makes this a long-term priority, but it remains essential.
- **Apply double materiality in climate reporting.** Ensure reports cover both how climate change impacts the company and how the company impacts the climate (per OR 964b and the Swiss Climate Reporting Ordinance).
- **Measure board effectiveness.** Include ESG competence and oversight in annual board reviews, ideally through external evaluations. This strengthens credibility.
- **Integrate ESG into strategy.** Ensure ESG objectives are part of core business strategy. Link executive pay to ESG KPIs based on double materiality.
- **Embed ESG in risk management.** Treat ESG risks as financial risks. Oversee supply chain due diligence (OR 964a–964l), CSDDD and EU Deforestation Regulation. Integrate climate and human rights into enterprise risk frameworks.
- **Monitor developments around the world.** Whilst some jurisdictions are seeing regulatory backlash, others have realized the criticality and are moving forward with the sustainability agenda.
- **Ensure reporting readiness.** Confirm that IT systems, governance and business processes support CSRD, Swiss climate disclosure, and other ESG reporting requirements. Internal ESG controls must be as robust as financial ones. Oversight must also cover greenwashing risks.

Boards must upskill, formalise oversight processes, and embed ESG into the strategic core of the company. The expectation of action on ESG topics extends beyond compliance to demonstrating credible leadership and embracing a forward-looking approach.

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ESG4Boards is an initiative founded in 2023 that brings together leadership personalities with expertise in the area of sustainability and positions them for Board mandates in companies. The aim is to promote the integration of environmental, social and governance (ESG) criteria into corporate management and to achieve this in 80% of Swiss companies with over 250 employees by 2030.

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Endnotes

- 1 [Directive - 2022/2464 - EN - CSRD Directive - EUR-Lex](#)
- 2 Ambient Air Quality Directive [Directive - EU - 2024/2881 - EN - EUR-Lex](#), Urban Wastewater Treatment Directive [Directive - EU - 2024/3019 - EN - EUR-Lex](#)
- 3 WEEE Directive [EUR-Lex - 02012L0019-20180704 - EN - EUR-Lex](#), RoHS Directive [EUR-Lex - 02011L0065-20160715 - EN - EUR-Lex](#)
- 4 RoHS Directive [EUR-Lex - 02011L0065-20160715 - EN - EUR-Lex](#), REACH Regulation, [EUR-Lex - 02006R1907-20221217 - EN - EUR-Lex](#)
- 5 [Regulation - 2020/852 - EN - taxonomy regulation - EUR-Lex](#)
- 6 [Regulation on Deforestation-free products - European Commission](#)
- 7 [Directive - EU - 2024/1760 - EN - EUR-Lex](#)
- 8 [Regulation - 2023/956 - EN - cbam regulation - EUR-Lex](#)
- 9 [SR 220 - Federal Act of 30 March 1911 on the Amendment of the Swiss Civil Code \(Part Five: The Code of Obligations\) | Fedlex](#)
- 10 [SR 221.433 - Ordinance of 3 December 2021 on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour \(DDTrO\) | Fedlex](#)
- 11 [AS 2022 747 - Verordnung vom 23. November 2022 über die Berichterstattung über Klimabelange | Fedlex](#)
- 12 [Task Force on Climate-Related Financial Disclosures | TCFD](#)
- 13 Art 3 para 1, [SR 241 - Federal Act of 19 December 1986 on Unfair Competition \(Unfair Competition Act, UCA\) | Fedlex](#)
- 14 [Omnibus I - European Commission](#)
- 15 [Disclosure Dividend 2025, CDP](#)
- 16 [New Nature Economy Report Series, World Economic Forum](#)
- 17 [Green Bonds, Enel](#)
- 18 [Regulation - 2023/1542 - EN - batteries and waste batteries - EUR-Lex](#)
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- 24 [Swiss Code of Best Practice for Corporate Governance, Economiesuisse](#)





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