

# Corporate responsibility initiative (CRI)

The corporate responsibility initiative (CRI) requires companies to adhere to extensive due diligence requirements with regard to the environment and human rights. The counterproposal put forward by the Swiss parliament is more fully developed and targeted. EXPERTsuisse is opposed to the initiative, as it does not take account of international circumstances and is too far-reaching. EXPERTsuisse finds that the counterproposal also leaves many questions unanswered. The audit profession can provide appropriate answers, however, as it already has extensive experience of preparing and auditing sustainability reports.

## Take-Outs

1. The corporate responsibility initiative (CRI) requires companies to adhere to extensive due diligence requirements with regard to the environment and human rights. Ultimately, this means operating a global compliance management system.
2. The counterproposal put forward by the Swiss parliament does not go as far, but its requirements are more precise and detailed. It also sets forth due diligence requirements that mean certain companies would have to have a risk management system. An external audit requirement is to be imposed accordingly. Transparency requirements also apply in the form of a reporting obligation.
3. EXPERTsuisse opposes the CRI, in particular because its provisions are incompatible with international circumstances (which could be detrimental to Switzerland as a business location), the burden of proof is reversed (bringing with it the risk of a surge in complaints) and it effectively exports Swiss law globally, all of which generate legal uncertainty.
4. EXPERTsuisse considers the counterproposal adopted by parliament to be more balanced, although it still leaves many questions unanswered.
5. These open issues, particularly the depth of the required sustainability reporting and the object and extent of the external audit, for example, can be resolved, however.
6. The audit profession already has extensive experience of preparing and auditing sustainability reports.

## Corporate responsibility initiative (CRI)

The Corporate responsibility initiative is a popular initiative calling for responsible companies. It would require companies that have their head office/central administration/main branch in Switzerland to conduct regular due diligence checks regarding the impact of their business activities on human rights and the environment. Companies would also be required to prepare a report on the findings of this due diligence.

In the event of violations of human rights or environmental regulations, Swiss companies would be liable for the damages, even if they were caused by a subsidiary or supplier abroad. Consequently, Swiss companies would, for example, also be liable for the activities of companies over which they have economic control, without being directly involved in their operations.

## Counterproposal to the CRI

The counterproposal approved by Swiss parliament provides for due diligence and transparency requirements. Under the counterproposal, “public-interest entities”, i.e. public companies, would be required to regularly report on environmental matters (CO2 targets), social and employee concerns, respect for human rights and anti-corruption. This report would have to be presented to the general meeting for approval and made available to the public.

Companies that trade in or process certain minerals and metals, or offer products where child labour could potentially be involved in the value chain, would also be required to establish a risk management system covering the entire supply chain as part of their due diligence obligation and report on this annually. Furthermore, compliance with these due diligence requirements would have to be verified by an independent expert.

## Opinion of EXPERTsuisse

EXPERTsuisse is opposed to the initiative, as it is not compatible with international regulation and practice and would manifest in unusual extra-territorial effects.

It is possible that this could lead to significant legal uncertainty for internationally active companies and ultimately be detrimental to Switzerland as a business location in the international arena. The reversal of the burden of proof in the initiative could trigger a flood of complaints.

Parliament’s counterproposal addresses these points of criticism. It does not reverse the burden of proof and its scope is narrower and clearer than the CRI. In addition, the counterproposal gives the Swiss Federal Council the power to appropriately specify the scope of the requirements and, most importantly, to exempt low-risk SMEs from the requirements.

However, should the counterproposal be adopted, it would still require further specification. Several issues – which EXPERTsuisse pointed out during the parliamentary consultation – remain unresolved, including the scope and depth of the required transparency reporting and the object and extent of the external audit conducted by an “independent expert”.

For many years, auditors have been auditing sustainability reports or have been engaged to prepare sustainability reports. The profession is thus well versed in this subject and the existing international standards. Moreover, the profession also audits compliance management and risk management systems. Auditors are therefore in a position to provide support on the due diligence and transparency requirements of the CRI and the counterproposal through both audit and advisory services.

		Assurance by audit firm		
		No assurance	Limited assurance	Reasonable assurance
Company duties	Unregulated remedies	A) 1	A) 2	A) 3
	Requirements for transparent reporting of remedies applied (regulated reporting)	B) E) 4	C) D) 5	E*) 6
	Requirements for implementing comprehensive, effective remedies and reporting on them (compliance management system)	7	Audit of reporting F) 8	Audit of reporting and CMS F) 9

**Key:**  
A) CURRENT situation Switzerland  
B) EU minimum requirements  
C) In Germany, around 2/3 of the companies concerned opt for a voluntary audit  
D) Auditing requirement in Italy and France  
E) EXPERTsuisse recommendation  
E\*) EXPERTsuisse recommendation on audit with release from liability  
F) CRI proposal