



## **Swiss Life Sciences Companies With International Supply Chains Face New ESG Obligations With First Reports Due in 2024**

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The Swiss Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labor ([DDTrO](#) or Ordinance), effective since 2022, is a key component to the evolving environmental, social, and governance (ESG) framework in Switzerland. Life sciences companies face particular challenges when analyzing to what extent the new obligations under the DDTrO affect their supply chain.

Many of the raw materials and active pharmaceutical ingredients (APIs) used in drug manufacturing are extracted from, or manufactured in, developing economies that may not have adequate levels of protection for human rights such as child labor. Minerals and metals routinely found in medical devices (such as alloy, coatings, and implants), batteries and electronics, testing and surgical equipment, and other products are imported from conflict-mineral- and child-labor-risk countries such as India and China.

By imposing due diligence and reporting obligations on life sciences companies, the Ordinance aims to ensure that supply chains align with Switzerland's commitments to human rights and ethical business practices.

This update provides a reminder of key obligations under the DDTrO (see previous Update [here](#)), connecting them with the broader Swiss ESG framework. For life sciences companies with global operations, this update includes recommendations for maneuvering the increasingly complex set of global ESG obligations.

### **Reminder of obligations under the DDTrO**

Effective since 2023, the DDTrO requires Swiss companies, including subsidiaries of non-Swiss companies, regardless of their industry to conduct due diligence in their supply chains to prevent child labor and the use of conflict minerals.

The first annual report under the Ordinance will be due in 2024 in respect of the financial year that began in 2023. Annual reports have to be published six months after the end of the previous financial year.



Companies are obligated and responsible for determining whether they fall within scope of the DDTrO and, if so, to take all necessary actions to comply.

In the case of conflict minerals, companies are in scope if they import certain minerals as listed in the Ordinance (including tin, tantalum, tungsten, and gold minerals and metals) above thresholds contained in the annex of the DDTrO. These thresholds are set by the Swiss regulator and revised annually.

Regarding child labor obligations, the Ordinance requires companies (except small and medium-size enterprises) to identify abstract risks to their supply chain with the help of international indicators, in particular the [UNICEF Children's Rights in the Workplace Index](#), which lists countries with child labor risks. Risk countries in particular include China, India, and Vietnam.

Companies sourcing goods or services from these countries, regardless of the type of product or service, will need to conduct a concrete risk assessment for their supply chain and implement regular monitoring, documentation, and reporting of child labor risks in their supply chains (see Explanatory Memorandum of the Ordinance [here](#)). For conflict minerals, companies must establish a supply chain traceability system. If a company detects child labor or conflict minerals in its supply chain, it must take measures to prevent or mitigate negative effects, evaluate the results of the measures, and report these results.

### **Connecting Swiss and EU ESG frameworks**

For life sciences companies operating globally, ESG obligations will extend beyond Switzerland. Several neighboring EU countries have already implemented their own due diligence laws, such as France (Law No. 2017-399, called the Duty of Vigilance Act) and Germany (Supply Chain Due Diligence Act) (see our previous update on Germany [here](#)). With the recent adoption of the EU Corporate Due Diligence, all EU countries will be required from as early as 2026 to impose due diligence obligations on large EU and non-EU companies operating in the EU.

Furthermore, the EU is progressing with implementing the Corporate Sustainability Reporting Directive (CSRD), which requires companies, some of them from January 2025 about 2024 activities, to disclose details about their due diligence mechanisms and report on their effects on the environment and people globally. Switzerland has mirrored the CSRD requirements with obligations for public companies, banks, and insurance firms to undertake similar reporting on climate-related effects from 2024. Other examples of EU-Swiss alignment exist in the area of conflict minerals, where the Ordinance builds on the EU Conflict Minerals Regulation, in effect since 2021, and the EU Batteries Regulation, applicable since 2023.

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With these efforts, Switzerland and the EU show similarities in the various ESG regulations. However, the Ordinance imposes more stringent requirements regarding due diligence for child labor risks than those currently established by the EU. This lack of alignment means that companies with operations in both the EU and Switzerland must evaluate and comply with sometimes distinct obligations in both locations.

### **Next steps**

As a result of a growing network of ESG obligations, life sciences companies with global operations may have to comply with requirements across multiple jurisdictions. To navigate the complexities of the Ordinance and other ESG regulations effectively, it is important to map obligations and develop coherent approaches.

One element of this approach can be the possibility under many ESG frameworks to use common international standards, especially in the area of due diligence. For example, DDTro allows subject companies to certify compliance with international standards for due diligence, exempting them from some obligations under the Ordinance. This can help companies with global operations to comply with local Swiss obligations in a way that can facilitate meeting obligations under ESG laws in other jurisdictions.