



## Department of Economy

# Trade and investment policy

## Bilateral relations Switzerland / EU

### Current status

The European Union (EU) is by far Switzerland's most important trading partner. At the same time, Switzerland is one of the biggest export and import markets for the EU. 70% of Swiss imports come from the EU and 52% of Swiss exports go to the EU. SwissHoldings member companies are also strongly interconnected with the EU. At the end of 2019, member companies' direct investments in the EU amounted to CHF 236 billion. This represents 53% of all direct investments abroad by SwissHoldings member companies.

Accordingly, the relationship between Switzerland and the EU is important for the Swiss economy. Switzerland is pursuing a bilateral approach. Starting with the free trade agreement concluded in 1972, Switzerland has established a dense and constantly evolving network of agreements with the EU. Particularly significant are the Bilateral agreements I and II, which grant the contracting parties' non-discriminatory access to each other's markets and establish close cooperation in various areas between Switzerland and the EU. This bilateral approach has brought our country numerous advantages. However, the EU has made the further development of the network of agreements conditional on clarification of the institutional framework.

At its meeting on 26 May 2021, the Federal Council conducted an overall evaluation of the outcome of the negotiations on the Framework Agreement. It concluded that substantial differences remain between Switzerland and the EU in key areas of the agreement. It therefore felt that the conditions for concluding the agreement were not met. He has therefore decided not to sign the Institutional Framework Agreement and to terminate the negotiations with the EU. Nevertheless, he would like to continue bilateral cooperation and develop a common agenda on further cooperation with the EU.

At EU level, the Committee on Foreign Affairs is currently working on a report evaluating bilateral relations between Switzerland and the EU, which is to be presented to the public in autumn 2021 and serve as the basis for a fundamental debate in Parliament on relations with Switzerland. In addition, the Commission is also working on a report on bilateral relations.

In the meantime, the Federal Council is seeking a rapid de-blocking of the cohesion contribution. The file will be discussed in parliament during the autumn session.

The failure of the Framework Agreement has led to the EU only allowing Switzerland to participate in Horizon research cooperation as a non-associated third country under the "Horizon Europe" framework program for research and innovation for 2021.





<p><b>Outlook</b></p>	<p>Orderly and secure relations between the European Union and Switzerland are essential for both sides. For the foreseeable future, the EU member states will remain extremely important trading partners for the highly export-oriented Swiss economy. It must therefore remain a priority objective that the bilateral path can be successfully continued.</p> <p>SwissHoldings welcomes the fact that the Federal Council is endeavoring to develop a common agenda on further cooperation with the EU in order to ensure that the bilateral agreements are applied as smoothly as possible, even without the conclusion of the InstA. In this context, it is also considered correct that the Federal Council has instructed the Federal Department of Justice and Police (FDJP), in cooperation with the other departments, to examine the possibility of independent adjustments in national law with the aim of stabilizing bilateral relations.</p> <p>From the Association's point of view, to ensure the competitiveness of our country, it is also important to exhaust all possibilities that Switzerland can implement unilaterally to strengthen the framework conditions.</p>
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## Abolition of industrial tariffs

<p><b>Current status</b></p>	<p>The <a href="#">draft revision of the Customs Tariff Act</a> is intended to set customs duties on industrial products at zero. For the purposes of this bill, the term "industrial products" covers all goods except agricultural products (including animal feed) and fishery products. In addition to the elimination of tariffs, the bill also seeks to simplify the tariff structure for industrial products. The planned simplification of the customs tariff structure will reduce the number of tariff numbers in the industrial sector from 6172 today to 4592. The bill is part of the "import facilitation" package of measures in the fight against the high price island of Switzerland.</p> <p>The Federal Council adopted the <a href="#">dispatch</a> on the Customs Tariff Act on 27 November 2019 for the attention of parliament. As the first Council, the National Council rejected the bill in the 2020 summer session by 108 votes to 83. The Council of States voted 29 to 14 in favor of the bill in the autumn session and on 2 December voted 28 to 14 with one abstention in favor of the Federal Council's draft.</p> <p>Due to the differing positions of the two councils, the WAK-N demanded further clarification from the administration, including questions on the partial abolition of industrial tariffs and border adjustment systems. At the subsequent meeting of the WAK-N, the body decided to accept the bill by 16 votes to 7 and to approve it unchanged by 15 votes to 7 with one abstention. A motion for the graduated abolition of industrial tariffs will be brought before the National Council as a minority motion.</p> <p>In the 2021 summer session, the matter was dismissed at short notice and postponed until the autumn session. This means that the bills can be discussed together with <a href="#">Motion 21.3602</a> "Swiss participation in the EU carbon border adjustment mechanism".</p>
<p><b>Outlook</b></p>	<p>Swiss customs duties have grown historically and were introduced in order to protect industry. Today, the Swiss industry no longer needs these protective tariffs. Rather, local companies are dependent on being able to import on good terms. With an average tariff rate of 1.8%, the majority of the tariffs can be considered a "nuisance tariff" in accordance with the 3% limit used during the Uruguay Round of the WTO. For many of the tariff headings, tariffs are</p>





	<p>too low to have a protective effect and the administrative costs often exceed the revenue.</p> <p>The historically developed tariff structure for industrial tariffs is also extremely complex. It comprises 6172 tariff numbers. This makes companies' customs declarations very costly and time-consuming. Simplification can hardly be achieved without abolishing industrial tariffs, as new tariffs would have to be established for all merged tariff headings and, if necessary, negotiated with the WTO.</p> <p>SwissHoldings welcomes import facilitation and the further opening of the Swiss market because the member companies of SwissHoldings are strongly intertwined with the global value chains and depend on imports from abroad. A liberal trade policy with the greatest possible renunciation of restrictions on the free movement of goods is essential for the prosperity of our economy. Our association will closely monitor the bill in the further parliamentary process.</p>
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## Free trade agreements

<p><b>Current status</b></p>	<p>The Swiss economy has a strong global orientation and is therefore dependent on cross-border trade and international investment activities. Thus, the constant improvement of access to foreign markets was and is a focus of Swiss foreign policy. This is achieved, among other things, through free trade agreements with third countries. Switzerland has a network of 32 free trade agreements with 42 partners worldwide. Together with the other EFTA states, it is currently negotiating free trade agreements with five new partner states, namely India, Malaysia, Mercosur, Moldova and Vietnam.</p> <p>In recent years, criticism of globalisation has become louder and free trade agreements are increasingly viewed critically. In particular, fears regarding the Sustainable Development Goals (SDGs) and climate targets are fuelling protectionist tendencies. In the context of these developments, discussions about the sustainability of free trade agreements have also increased.</p> <p>Following the narrow approval of the free trade agreement with Indonesia in March 2021, the focus will now increasingly be on the free trade agreement with Mercosur. Negotiations between EFTA and the Mercosur states were substantially concluded in Buenos Aires in August 2019. Currently, the legal review is underway, which has been delayed due to Covid. Regarding this free trade agreement, two standing initiatives, one from the Jura and the other from Geneva, were dealt with in the National Council during the last summer session. One initiative demanded the exclusion of agricultural products from the Mercosur agreement and the other that the free trade agreement with Mercosur should be subject to an optional referendum. For both initiatives, the National Council followed the Council of States and did not follow them. Nevertheless, in accordance with Federal Council practice, a referendum is to be expected.</p>
<p><b>Outlook</b></p>	<p>Especially against the backdrop of trade conflicts, the blockade of the World Trade Organization (WTO) and growing protectionism, the expansion of the network of free trade agreements is important for the export-oriented Swiss economy and the member companies of SwissHoldings. Free trade agreements allow privileged access to important markets and lead overall to more growth and prosperity in Switzerland. They also ensure that Swiss companies are not at a competitive disadvantage compared to companies in</p>





	<p>other countries. SwissHoldings thus supports the Federal Council's strategy of expanding and modernizing the network of free trade agreements.</p> <p>Concerns about sustainable development in connection with global trade are increasingly calling this successful model into question, as the recent vote on the agreement with Indonesia has shown. Of course, SwissHoldings recognizes and supports the need for sustainability aspects to be taken into account when considering free trade agreements. The chapter on "sustainability and trade" in the agreements forms a solid foundation for promoting sustainable development. Moreover, it should not be neglected that intensified trade relations are themselves an important factor in promoting sustainable development. In addition to significant economic aspects, the improvement of the labor market and, consequently, social progress as well as knowledge and technology transfer play an important role.</p> <p>SwissHoldings will continue to advocate the important expansion of the Swiss network of free trade agreements.</p>
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## Investment Control

<p><b>Current status</b></p>	<p>In Switzerland, it is currently being discussed whether foreign direct investment in Swiss companies poses a threat to the country.</p> <p>The Federal Council examined this issue in detail in the report "<a href="#">Cross-border investments and investment controls</a>" and came to the conclusion that the introduction of official control of direct investments would not bring any added value at the present time. Notwithstanding this position, both chambers of parliament have voted in favor of the <a href="#">Rieder motion</a>. This mandates the Federal Council to draft a bill for investment control of foreign direct investments in Swiss companies, among other things, by establishing an approval authority for transactions subject to investment control. The focus is particularly on takeovers and investments by companies from the dynamically growing emerging markets in infrastructures such as energy, transport, telecommunications, data storage and financial infrastructure.</p> <p>On 25 August 2021, the Federal Council defined the parameters for a foreign investment control system to implement the Rieder motion. The consultation draft is expected at the end of March 2022.</p>
<p><b>Outlook</b></p>	<p>Switzerland is one of the largest direct investors in the world. Swiss companies had a capital stock of CHF 1.445 billion abroad in 2019. The counterpart to this is the stock of CHF 1.370 billion of foreign direct investment in Switzerland. SwissHoldings member companies are important direct investors. Their capital stock amounted to Fr. 444 billion at the end of 2019. Accordingly, it is a key concern of SwissHoldings that investment activity is maintained, and that Switzerland is not weakened as an investment location. This is of particular importance given that Covid-19 is likely to have triggered a sharp drop in foreign direct investment inflows last year, according to initial estimates. At the same time, competition for investment from abroad is intensifying. However, Switzerland is dependent on foreign investment for its growth and prosperity.</p> <p>The basic principle is that the investment control mechanism must be targeted (i.e. focused on clearly defined objectives), efficient in its implementation and administratively lean. An unnecessary administrative burden on companies should be avoided. Investors should also be granted the highest possible degree of transparency and legal certainty.</p>





	SwissHoldings will actively accompany the preparation of the draft legislation. Confidence in Switzerland as an open - but already not barrier-free - investment location and in liberal economic policy must be maintained.
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## **Corporate social responsibility**

### **Responsible Business Initiative**

<b>Current status</b>	<p>The popular initiative was put to the vote on 29 November 2020. economiesuisse was in the lead for the business campaign. SwissHoldings was carrying out a complementary campaign. The initiative narrowly won the majority of the people (50.7% in favor) - but the bill was rejected thanks to a clear failure to win a majority of the cantons (cantons: 14.5 NO, 8.5 YES).</p> <p>This paves the way for the entry into force of the indirect counterproposal. On 14 July 2021, SwissHoldings participated in the consultation process for the ordinance that fleshes out the outstanding points of the counterproposal.</p>
<b>Outlook</b>	<p>From SwissHoldings' perspective, the goal of ensuring targeted and internationally coordinated regulation about "corporate social responsibility" for Switzerland remains unchanged. The entry into force of the counterproposal represents an important step in this direction.</p> <p>The Association welcomes the draft ordinance on the implementation of the counterproposal. With the proposed instruments Switzerland has a future-proof solution that considers the most important concerns of the economy. However, the associated new obligations are challenging, particularly regarding child labor. There is a need for adaptation of individual, technical points, in order to give companies more clarity with regard to the expectations of the legislator. In addition, it must be ensured that the requirements for companies regarding child labor are implementable and that open questions on non-financial reporting are regulated.</p>

### **Sustainable Development Strategy 2030 / CSR Action Plans by the Federal Council**

<b>Current status</b>	<p>With the "Sustainable Development 2030" strategy, the Federal Council shows how it intends to implement the 2030 Agenda for Sustainable Development over the next ten years. The strategy is now designed for ten years instead of the previous four. In doing so, the Federal Council anchors the goal of sustainable development as an important requirement for all federal policy areas. The Federal Council has defined the three priority themes of "sustainable consumption and production", "climate, energy, biodiversity" and "equal opportunities" as strategic directions for federal policy. The strategy also sets out how the economy, the financial market and the area of education, research and innovation can drive sustainable development forward and what framework conditions are necessary to achieve this.</p> <p>At its meeting on 4 November 2020, the Federal Council sent the strategy out for consultation. The consultation lasted until 18 February 2021.</p>
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	<p>SwissHoldings submitted a statement as part of this consultation. The Strategy 2030 and the associated Action Plan 2021-2023 were adopted by the Federal Council on 23 June 2021.</p> <p>SwissHoldings advocates appropriate regulation in corporate social responsibility. In Switzerland, the Federal Council's National Action Plan on Business and Human Rights (NAP) and SECO's CSR Position Paper point in the right direction by focusing on international standards and best practices. On the important issue of corporate social responsibility, only an internationally coordinated approach can achieve the desired results.</p> <p>On 15 January 2020, the Federal Council approved the revised <a href="#">Action Plans 2020 - 2023 on corporate social responsibility and business and human rights</a>. In December, the body announced the content and thrust of the revision of the NAP. The Federal Council is building on the results achieved to date and will continue to support companies through effective measures. On 14 September 2021, the Swiss Forum on Business and Human Rights will take place, with a cross-stakeholder exchange on good practices and best practices.</p> <p>The Federal Council has also revised its <a href="#">position paper and action plan on corporate responsibility for society and the environment</a>. From a strategic perspective, the thrusts have now been adapted in such a way that the stakeholder dialogue has been strengthened and the review of the implementation of CSR instruments has been expanded. In addition, greater emphasis was placed on the topic of digitalization.</p>
<p><b>Outlook</b></p>	<p>The Federal Council's action plans are currently being implemented. SwissHoldings supports the work of the Confederation in this area within the framework of the Federal Commission to Advise the NCP (NCP Advisory Council) and the Support Group for the National Action Plan "Business and Human Rights".</p>

## Accounting and reporting

### IFRS Standards

<p><b>Current status</b></p>	<p>Regarding IFRS standard setting, specific emphasis should be placed on the IASB agenda consultation currently underway. The IASB opened a consultation on its proposals for the 2022- 2026 work program. The IASB conducts this process on a regular basis to align its work activities with stakeholder priorities and capacities. One focus area is sustainability reporting, which is becoming increasingly important for the IFRS Foundation.</p> <p>In addition, no fewer than five other IASB consultations are currently underway. Among these, the pilot project on disclosure requirements (Disclosure Initiative) is probably the most important: a new concept on the type and scope of disclosures in the notes is being proposed and tested using the example of two standards (IFRS 13, IAS 19); these principles are to be used as a basis for the other IFRSs later. The aim is to find a good balance between information richness and materiality.</p>
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	<p>The IFRS held a consultation at the end of 2020 (<a href="#">link to SwissHoldings' statement</a>) to clarify whether there is demand for an extension of the IFRS to non-financial reporting. Based on the consultation responses, the IFRS Foundation Trustees have published a statement clearly showing the desire for IFRS activities in sustainability reporting. At the same time, a <a href="#">draft</a> was published that amends the IFRS Foundation Constitution to allow for the establishment of an International Sustainability Standard Board. The new body will take care of the development of standards in sustainable corporate governance.</p> <p>The draft amendment to the IFRS Foundation Constitution was consulted on until 29 July 2021.</p>
<b>Outlook</b>	<p>SwissHoldings will continue to actively follow the development of IFRS accounting and participate in relevant consultations.</p>

## Developments on EU level

<b>Current status</b>	<p>At EU level, the issue of sustainability is at the center of public debate. In the context of this discussion, the European Commission has become active through various initiatives.</p> <p>In the area of reporting, the focus is primarily on three regulations. On the one hand, there is Regulation 2019/2088 on sustainability-related disclosure requirements in the financial services sector, which, as the name implies, is aimed at financial services providers. On the other hand, the taxonomy regulation and the directive on non-financial reporting also impose new requirements on companies from the real economy.</p> <p>The Taxonomy Regulation introduces a classification system for environmentally sustainable economic activities. This system aims to promote sustainable investment and minimize greenwashing. Companies that fall under the scope of the Non-Financial Reporting Directive must disclose the extent to which their activities are considered environmentally sustainable under the Taxonomy. More information on the status of the proposal can be found in the subsection "Sustainable Finance".</p> <p>In addition, the directive on non-financial reporting is currently being revised. The European Commission carried out a consultation on this in spring 2020 (<a href="#">link to the SwissHoldings statement</a>).</p> <p>On 21 April 2021, the European Commission has now published the draft revision under the new name Corporate Sustainability Reporting Directive (CSRD). This includes the following key values:</p> <ul style="list-style-type: none"> <li>• The scope of application is extended to all large as well as all listed companies.</li> <li>• Companies are required to prepare their non-financial reports in accordance with a binding EU standard.</li> <li>• Audit of non-financial information by independent third party becomes mandatory.</li> <li>• The information must be published in electronic format together with the annual report.</li> </ul> <p>In addition, the European Commission is currently considering possible regulation in sustainable corporate governance. It opened a consultation on this at the end of October 2020. A draft regulation is expected in Q3 2021.</p>
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### Outlook

SwissHoldings welcomes the initiatives for improved transparency of ESG risks and consolidation of the requirements for companies in this regard. However, it is important to bear in mind that companies already report extensively on their sustainability efforts as part of their financial and non-financial reporting. This is associated with considerable expense. A possible expansion of the requirements should be sufficiently flexible, practicable and internationally coordinated and must not lead to competitive disadvantages for companies.

SwissHoldings is following ongoing developments and continues to provide support, particularly within the framework of the working group of the umbrella organizations at European level.

## Capital Markets

### Sustainable Finance

#### Current status

The topic of "sustainable finance" has gained importance in parallel with sustainable corporate governance. Particularly in the discourse surrounding the Paris Agreement, it has become clear that private investors have an important role to play in combating climate change. The subject of these considerations is that the participation of private investors ensures that market mechanisms can perform their important guidance function and thus that resources flow towards the most promising sustainable investment assets.

Sustainable finance has long reached the financial markets. The number of sustainable financial products has increased massively in recent years. A [study by](#) Swiss Sustainable Finance showed that CHF 1,163 billion were invested in sustainable financial products at the end of 2019 - an increase of 62% compared to 2018.

The topic has also arrived at the political level. As early as June 2019, the Federal Council [set](#) up an internal working group under the leadership of the State Secretariat for Financial Affairs on the topic of sustainable finance. On 24 June 2020, the Federal Council adopted a [report](#) and [guidelines](#) on sustainability in the financial sector. The stated aim is to strengthen the competitiveness of the Swiss financial market in this area and to make an effective contribution to sustainability. The following priorities emerge from the report:

- The systematic disclosure of relevant and comparable climate and environmental information for financial products,
- strengthening legal certainty in relation to fiduciary duties or in relation to the consideration of climate/environmental risks and impacts,
- strengthening the consideration of climate/environmental risks and impacts in financial stability issues; and
- monitoring developments at international and EU level.

The Federal Council intends to address these in cooperation with the industry and other interest groups.







The four pillars were further specified in December 2020 and the Federal Council adopted the following measures:

- Development of a binding implementation of the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD) - whereby the Federal Council adopted the key parameters for future binding climate reporting by large Swiss companies on 18 August 2021. The Federal Department of Finance is to prepare a consultation draft by summer 2022.
- Proposal to adapt financial market law to avoid greenwashing by autumn 2021.
- Recommendations to financial market actors to publish methods and strategies on how climate and environmental risks are considered. The extent to which this recommendation has been complied with will be reviewed at the end of 2022.
- Expansion of Switzerland's involvement in international environmental conferences and initiatives.

In line with the Federal Council's objectives, the Green Fintech Network presented an [action plan](#) for a green and innovative Swiss financial center in April 2021. This includes 16 proposals ranging from the establishment of a platform for sustainability data and the launch of an Innovation Challenge for green fintech startups to the promotion of open finance or the expansion of financing opportunities for green fintechs. The action plan calls for improved non-financial reporting by companies and actively supports the implementation of the TCFD and the development of Nature-related Financial Disclosures (TNFD).

Sustainable finance is also high on the agenda at EU level. The European Commission has presented an action plan for financing sustainable growth, which has already resulted in several legislative initiatives, including the [Taxonomy Regulation](#), which is particularly relevant for companies. The regulation, which came into force in 2020, provides a framework for assessing the environmental sustainability of economic activities and obliges companies affected by the regulation to report on it. The regulation is guided by six environmental goals: Climate change mitigation, climate adaptation, conservation and protection of water and marine resources, transition to a circular economy, prevention and control of pollution, and conservation of biodiversity and ecosystems.

The [delegated acts](#) further specifying the information to be disclosed and the methodology for its preparation were adopted by the European Commission on 6 July and will now be sent to the European Parliament and the European Council for review within four months. Non-financial companies will have to disclose turnover, capital and operating expenses related to environmentally sustainable economic activities under Taxonomy regulation, the [delegated acts on climate targets](#) and future delegated acts on the other targets. The timetable requires initial qualitative information and information on the proportion of activities covered by the Taxonomy to be disclosed for the 2021 reporting period as early as 1 January 2022. Companies must prepare the first full report for the 2023 reporting period.

In addition, discussions are already taking place on how the Taxonomy could be extended to the area of social sustainability.

Also on 6 July, the European Commission published the revised [Sustainable Finance Strategy](#), which is specifically designed to finance the transition to a sustainable economy. It proposes measures in the four areas of: Transition Finance, Inclusivity, Resilience and Contribution to the Financial





	<p>System and Global Ambition. The European Commission will report on progress in implementation in 2023.</p> <p>Developments in sustainable financing and the regulatory innovations also affect companies outside the financial sector.</p>
<b>Outlook</b>	<p>SwissHoldings welcomes the new role assigned to business in climate protection and sustainable development. Markets allocate resources effectively so that the marginal benefit for ESG factors can be maximized.</p> <p>For SwissHoldings, it is therefore important that investors continue to be able to use their discretion regarding corporate financing to determine which companies or technologies they consider to be particularly fit for the future. The overriding goal must be to give all companies the opportunity to adapt their business model and transform towards greater sustainability.</p> <p>The association will follow current developments in this area and monitor relevant transactions.</p>

## Monetary Policy SNB

<b>Current status</b>	<p>In the current extraordinary times resulting from the "COVID 19" challenges, the Swiss National Bank (SNB) is increasingly coming under the spotlight. At parliamentary level, various proposals have been discussed with the aim of tying the SNB's distributions to certain purposes.</p> <p>Specifically, there is a <a href="#">motion by</a> National Councilor Alfred Heer, which would like to allocate the income from negative interest directly to the AHV. The profit distribution key - two-thirds for the cantons and one-third for the Confederation - is to be left as it is, but the negative interest is to be redistributed over the years from the Confederation's share to the AHV. In this way, the federal share is to be reduced by the amount of negative interest levied. This motion was adopted in the National Council but rejected in the Council of States in the last summer session.</p> <p>Another WAK-N <a href="#">motion</a> calls for the federal share of future SNB distributions to be used directly to reduce the Corona debt. These motions were also adopted in the National Council. However, they still must clear the hurdle in the Council of States.</p>
<b>Outlook</b>	<p>SwissHoldings will closely monitor ongoing developments. From the association's perspective, the SNB's distribution practice to date has proven its worth. The organization takes a critical view of the "politicization" or further earmarking of the SNB's profits.</p>

