



Department of Economy

As of : June 2022

Trade and Investment Policy

Bilateral Relations Switzerland / EU

<p>Current Status</p>	<p>The European Union (EU) is by far Switzerland's most important trading partner. At the same time, Switzerland is also one of the EU's largest export and import markets. Accordingly, the relationship between Switzerland and the EU is very important to the Swiss economy. As a result, Switzerland is pursuing a bilateral path, starting with the free trade agreement in 1972, Switzerland has established a dense and constantly evolving network of agreements with the association of states. Particularly significant are the Bilateral I and II agreements, 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 numerous benefits to our country.</p> <p>However, the EU has made further developments on the network of agreements that are conditional upon clarification of the institutional framework. Based on this demand, a draft agreement was drawn up between 2014 and 2018. In a meeting on 26 May 2021, the Federal Council decided not to sign the Institutional Framework Agreement and to terminate the negotiations with the EU; as various substantial differences could not be resolved.</p> <p>Nevertheless, the Federal Council would like to continue bilateral cooperation. At the end of February, the Federal Government adopted basic guidelines for a new negotiation package with the EU. The body wants to regulate contentious issues such as; the dynamic adoption of law, dispute settlement and exceptions, as well as safeguard clauses on a sectoral basis. specifically relating to the future rather than on an overarching basis. Other possible parts of the package include new internal market agreements and the continuation of Switzerland's cohesion contribution. The Federal Council plans to begin initial exploratory talks with the EU on the new treaty package in the near future.</p>
<p>Outlook</p>	<p>Stable and expanded 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 strongly export-oriented Swiss economy for the foreseeable future. It must therefore remain a priority goal that the bilateral path can be successfully preserved.</p> <p>SwissHoldings welcomes the fact that the Federal Council is endeavoring to ensure that the bilateral agreements are applied as smoothly as possible, even without the conclusion of the InstA. From the association's point of view, it is also important to consider all possibilities that Switzerland can implement unilaterally to strengthen the framework conditions, in order to ensure the competitiveness of our country.</p>



Abolishment of Industrial Tariffs

<p>Current Status</p>	<p>The bill to revise the Customs Tariff Act is intended to set customs duties on industrial products to zero. For the purposes of this bill, the term "Industrial Products" covers all goods with the exception of both agricultural (including animal feed) and fishery products. In addition to eliminating tariffs, the bill also seeks to simplify the tariff structure for industrial products. The planned simplification of the tariff structure will reduce the number of tariffs in the industrial sector from 6172 today to 4592. The bill is part of the "Import Facilitation" package of measures in the fight against Switzerland as a high-price island.</p> <p>The National Council and Council of States approved the bill in the final vote on October 1, 2021 (final vote text). After the referendum deadline of January 20, 2022 passed without action, the Federal Council decided that it would be put into effect as of January 1, 2024.</p>
<p>Outlook</p>	<p>Our association welcomes the decision of Parliament to adopt the amendment and will accompany the technical implementation of the industrial tariff dismantling.</p>

Free Trade Agreement

<p>Current Status</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 done, amongst other channels, through free trade agreements with third parties. In addition to the EFTA Convention and the free trade agreement with the European Union (EU), Switzerland has a network of 33 free trade agreements with 43 partners worldwide. Therefore, in association with the other EFTA states, Switzerland is currently negotiating free trade agreements with seven new partner states: namely India, Kosovo, Malaysia, Mercosur, Moldova, Thailand and Vietnam, as well as the modernization of various existing agreements.</p>
<p>Outlook</p>	<p>Especially against the backdrop of trade conflicts, the blockade of the World Trade Organization (WTO), growing protectionism and the expansion of free trade agreements, it is very important for the export-oriented Swiss economy and the member companies of SwissHoldings.</p> <p>Concerns are being increasingly expressed regarding sustainable development in connection with global trade. Of course, SwissHoldings recognizes and supports the claim that sustainability aspects are deservedly taken into account within the considerations of free trade agreements. The chapter on "Sustainability and Trade" provides a solid foundation for promoting sustainable development. Moreover, it should not be neglected that intensified trade relations are an important factor in promoting sustainable development. In addition to significant economic aspects, the improvement of the labor market and, as a result: social progress, knowledge and technology transfer also play an important role.</p> <p>SwissHoldings will continue to advocate for the important expansion of the Swiss network of free trade agreements.</p>



Investment Control

<p>Current Status</p>	<p>In Switzerland, the question is currently being discussed on whether foreign direct investment within Swiss companies poses a threat to Switzerland overall.</p> <p>The Federal Council has dealt with this issue in detail within the context of the report "Cross-border Investments and Investment Controls" and has come to the conclusion that the introduction of regulatory control for direct investments would not bring any added value at the present time. Notwithstanding, both councils have voted in favor of the Rieder Motion. Whereby mandating that the Federal Council draft a bill for investment control of foreign direct investment in Swiss companies</p> <p>The Federal Council opened the consultation process for an investment audit law on May 18, 2022. Potential threats are <u>expected above all for investors with a state affiliation. Accordingly, takeovers by foreign state investors or investors close to the state are to be subject to approval in all sectors.</u> In addition, the law defines the particularly critical areas in which all foreign investors - both state and private - are to be subject to approval. On the other hand, small companies are to be generally exempt.</p>
<p>Outlook</p>	<p>Switzerland is one of the largest direct investors in the world. It is therefore a primary concern of SwissHoldings that investment activity is maintained and that Switzerland is not weakened as an investment location. SwissHoldings will actively accompany the preparation of the concrete draft law. Confidence in Switzerland as an open - but already non barrier-free - investment location and in liberal economic policy must be maintained.</p>

Investment Protection Agreement (ISA)

<p>Current Status</p>	<p>Switzerland has a total network of 111 bilateral investment protection agreements (ISA). According to UNCTAD, Switzerland has the third-largest network of such agreements in the world after Germany and China. By concluding ISAs, Switzerland improves the framework conditions and thus its attractiveness as a location for international investments. Due to a change in practice by the Federal Council, ISAs are now subject to an optional state treaty referendum; in addition to free trade agreements. The first ISA to be subject to consultation is the new ISA with Indonesia. The agreement closes the contractual gap that existed since the previous agreement expired in 2016.</p>
<p>Outlook</p>	<p>SwissHoldings will actively participate in the consultation process to point out the great importance of ISA, international arbitration for Swiss companies and Switzerland as a business location. (The consultation period will last until September 26, 2022).</p>



Corporate Social Responsibility

Corporate Responsibility Initiatives

<p>Current Status</p>	<p>The popular initiative was rejected at the ballot box on November 29, 2020. This paved the way for an indirect counter-proposal. The Federal Council presented the ordinance on the indirect counter-proposal on December 3, 2021. The new obligations were based on the EU regulations and in some cases go beyond them. The law will come into effect as early as January 1, 2022. This means that Swiss companies will have to report in accordance with the new rules for the first time, as of the 2023 financial year.</p> <p>At the beginning of 2021, the Federal Council announced that a draft would be prepared to make the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD) binding for Swiss companies from all economic sectors. However, the counter-proposal to the Corporate Responsibility Initiative (CCI) also introduces provisions on disclosure on non-financial matters, including environmental matters (in particular on CO₂). In order to avoid duplication, the TCFD recommendations are to be implemented within the framework of an executive order on the counter-proposal UVI. The implementation ordinance is to be understood as the actual "third pillar" of the counter-proposal.</p>
<p>Outlook</p>	<p>The new obligations associated with the implementation of the counterproposal are challenging, especially in the area of child labor. The association will support the implementation work of the member companies as far as possible and offer a platform for the exchange of expertise.</p> <p>In addition, the association will actively participate in the consultation for reporting on climate issues (consultation deadline: July 7, 2022)</p>

Developments at the EU Level

<p>Current Status</p>	<p>Currently, the European Commission is dealing with a possible regulation in the area of sustainable corporate governance and related due diligence. On February 23, 2022, it published a proposal for a directive on corporate sustainability due diligence. Among other things, the EU Commission is considering making changes to Company Law. Specifically, the aim is to define corporate interest under European law, taking sustainability criteria into account. Another focus of the initiative is the implementation of corporate due diligence obligations within global supply chains. The proposal still has to go through the legislative process but it will first be discussed in the European Parliament and the Council. If adopted, member states will be required to transpose the directive into national law within two years of its implementation.</p>
<p>Outlook</p>	<p>According to the current proposal, the directive is also to apply to non-EU companies that achieved sales of more than EUR 150 million (net) within the EU including the fiscal year before last respectively.</p> <p>While it will be EUR 40 million (net) in the EU, provided that more than half of the global sales were generated in "high-impact sectors". High-impact sectors" include among others: the textile sector, the food sector, agriculture, fisheries, forestry, the extraction of mineral resources, the production of base</p>



	metal products, various other non-metallic mineral products, and the whole-sale of raw materials, base and intermediate minerals.
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Collective Redress

<p>Current Status</p>	<p>On December 10, 2021, the Federal Council presented and passed the class action bill for the attention of Parliament (Business 21.082). The bill provides that: i) the existing class action would be expanded, ii) a new class action for the assertion of compensation claims would be created, and iii) a new possibility of settlements declared binding by the courts would also be provided for. From SwissHoldings' point of view, the project is not ready for parliamentary discussion. The proposal is largely based on the state of development and knowledge in 2014, when Parliament called on the Federal Council to examine the introduction of "Collective Settlement" instruments for Switzerland in the Birrer-Heimo Motion. Since then, significant developments have occurred that are not taken into account in the Federal Council's proposal. Recent developments have shown that the introduction of such new legal instruments in EU Member States (based on the Fehler! Linkreferenz ungültig.) has led to considerable difficulties and was misused in various abusive forms. Therefore, it has become apparent that the real disadvantages of class action methods cannot be remedied.</p> <p>In all countries where lawsuits against companies are economically viable (such as Germany, the Netherlands, and also Switzerland). The new possibilities for legal action have directly resulted in the establishment and constant expansion of a professional lawsuit industry.</p>
<p>Outlook</p>	<p>The National Council is the first parliamentary body to discuss the class action bill. The associated Legal Committee of the National Council (RK-N) began preliminary deliberations on the matter at its meeting between the 19th and 20th of May 2022. At this meeting, SwissHoldings presented the position of the business community together with the umbrella organization Economiesuisse. The debate on whether to approve the bill was held by the committee on June 23, 2022. The committee decided to mandate the federal government to carry out further clarifications on the so-called "class action bill". The decision to enter into consultation on the bill was postponed. SwissHoldings welcomes this decision. The proposal is not yet ready for political discussion.</p> <p>SwissHoldings is clearly opposed to the bill and the introduction of collective redress instruments in Switzerland.</p>



Accounting and Reporting

IFRS Standards

<p>Current Status</p>	<p>At the level of financial reporting, the "Standard Setting" processes are currently a little quieter. The IASB has not published any amendment resolutions or draft standard revisions in recent weeks. The primary reason for this is that the Board is currently evaluating the new work plan for the next four years. On the other hand, in the area of sustainability reporting, important decisions have recently been made. The Board "ISSB" of the IFRS Foundation has officially started its activities at its designated headquarters in Frankfurt and has also published the first two drafts of their future standards.</p>
<p>Outlook</p>	<p>SwissHoldings will continue to actively follow and participate in relevant consultations regarding the work of the IFRS Foundation in both areas of financial reporting and sustainability reporting.</p>

Sustainable Finance & ESG-Reporting at the EU Level

<p>Current Status</p>	<p>At the EU level, the topic of sustainability is at the center of public discussion. In the context of this discussion, the European Commission has become active through various initiatives.</p> <p>In the EU, the Action Plan for Financing Sustainable Growth was adopted in 2020, which forms the basis of several legislative initiatives. This would also include the Taxonomy Regulation, which is particularly relevant for preparers. With the introduction of the Taxonomy in the future, companies will have to classify all their business activities in a classification scheme to determine the "green character" of their economic activity. In this context, the share of sales, the share with regards to investments ("CapEx") and the shares referring to operating expenses ("OpEx") must be disclosed separately. In addition, all these activities must be evaluated in relation to minimum social criteria.</p> <p>The action plan also includes a proposal for a Corporate Sustainability Reporting Directive (CSRD) to replace the existing Nonfinancial Reporting Directive (NFRD). The core element of the CSRD is that reporting will no longer be based on an internationally accepted standard such as GRI, but on a new European standard, yet to be designed. Other significant changes relate to a significant expansion of the required report content such as: forward-looking elements and information on intangible assets; as well as the principle that all information must be made available via a digital reporting structure.</p> <p><u>SwissHoldings member companies with larger establishments in the EU area are likely to be directly covered by both of these regulatory measures. (The concrete scope of the application is still subject to ongoing negotiations but it is likely to include; the core data of 20 million total assets, 40 million turnover and 250 employees over the medium time period) In addition, it is currently being discussed whether the provisions should, in principle, be extended to all larger companies that are based outside the EU but export goods and services to the EU area.</u></p>
<p>Outlook</p>	<p>SwissHoldings sees the current initiatives for greater standardization in the area of Sustainable Finance and ESG Reporting in principle positive. A more aligned framework for non-financial reporting helps to create clarity and trust between investors and preparers. For the association, however, it remains</p>



	<p>central that sustainability data must always be placed in a comprehensible context with business strategy and financial reporting in the future - whereby the criteria of relevance, feasibility and cost/benefit ratio should always also apply to transparency requirements.</p> <p>While the EU's ambitious plans offer opportunities for sustainability-oriented investors and companies, they also harbor the risk of disproportionate market intervention. The newly envisaged transparency and disclosure requirements for companies in the area of ESG are high and threaten to overwhelm many market players.</p> <p>SwissHoldings is monitoring ongoing developments and continues to accompany the business, particularly within the framework of the working group of umbrella organizations at the European level.</p>
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Capital Markets

Exchange Equivalence - Extension of the Exchange and Protection Measure

<p>Current Status</p>	<p>The EU granted Switzerland stock exchange equivalence only until the end of June 2019, but then did not extend it. For this reason, Switzerland activated the measure to protect the Swiss stock exchange infrastructure on July 1, 2019. Since January 1, 2019, foreign trading venues are subject to a recognition obligation, whereby they should admit certain shares of Swiss companies to trading or enable trading of such shares (see also link).</p> <p>At its meeting on June 22, 2022, the Federal Council adopted a proposal to transfer the provisional measure to protect the Swiss stock exchange into ordinary law. This step is necessary because this measure will otherwise cease to apply and the European Union (EU) has not yet recognized Swiss stock exchange regulation as equivalent. With this bill, the Federal Council wants to continue to avoid negative effects that threaten Switzerland as a stock exchange, financial and business location due to the lack of stock exchange equivalence in the EU. However, the Federal Council is still convinced that Switzerland meets all the requirements for the unrestricted recognition of the equivalence of Swiss stock exchange regulation by the EU. Consequently, the Federal Council's goal remains unlimited stock exchange equivalence.</p> <p>The Federal Parliament is expected to deal with the bill for the first time in the second half of 2022.</p>
<p>Outlook</p>	<p>SwissHoldings closely monitors the project and will also engage in the parliamentary debate on this issue.</p>



Monetary Policy SNB

Current Status	In today's extraordinary times, the Swiss National Bank (SNB) is increasingly in the spotlight. At the parliamentary level, various proposals have been discussed with the aim of tying the SNB's distributions to certain purposes. In addition, concerns have recently been raised calling for a reform of the SNB's governance structure.
Outlook	SwissHoldings will closely follow the ongoing developments and from our perspective the SNB's distribution practice to date has proven its worth. The organization is critical of a "politicization" or further earmarking of the SNB's profits.