SwissHoldings
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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 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. 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. 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.
Outlook	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 strongly export-oriented Swiss economy for the foreseeable future. It must therefore remain a priority goal that the bilateral path can be successfully preserved. 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 exhaust all possibilities that Switzerland can implement

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	unilaterally to strengthen the framework conditions, in order to ensure the competitiveness of our country.

Free Trade Agreement

Current Status	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. Amongst other channels, this is accomplished 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 agreement
Outlook	Especially against the backdrop of trade conflicts, the blockade of the World Trade Organization (WTO), growing protectionism and the expansion of free trade agreements. Maintaining free trade is very important for the export-oriented Swiss economy and the member companies of SwissHoldings. 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 resulting in social progress, knowledge and technology transfer play an important role. SwissHoldings will continue to advocate for the important expansion of the Swiss network of free trade agreements.

Investment Control

Current Status	The introduction of investment controls is also currently being discussed in Switzerland. On May 18, 2022, the Federal Council published the preliminary draft of a new Investment Control Law and submitted it for consultation. Prior to this, Parliament had called for a corresponding legal basis by adopting motion 18.3021 Rieder. The proposal is to introduce a reporting and approval requirement for certain acquisitions of domestic companies The Federal Council presented a regulatory impact assessment on the preliminary draft as part of the consultation process. The RIA concludes that the cost-benefit ratio of such a new law is unfavorable. Consequently, the panel continues to oppose the introduction of an investment audit. It considers the existing legal framework to be sufficient. SwissHoldings participated in the consultation response (link consultation response) and Federal Law on the Audit of Foreign Investments (swissholdings.ch) essentially stated: – Foreign direct investment is central to Switzerland. In the small and open Swiss economy, the prosperity of the population and the competitiveness of companies depend directly on integration into global value chains.

	– Since Swiss companies themselves are among the largest direct investors abroad, Switzerland has a particular interest in accessing international investment markets as non-discriminatory and transparent as possible. Switzerland is most likely to achieve this if it shows itself to be open to foreign investment. – The Federal Council presented a Regulatory Impact Assessment (RFA) on the preliminary draft as part of the consultation process. The RIA concludes that the cost-benefit ratio of such a new law is unfavorable: for this reason, the panel remains opposed to the introduction of an investment audit. It considers the existing legal framework to be sufficient. SwissHoldings supports this position. – However, the question of whether Switzerland should introduce an investment audit cannot be assessed in isolation from international developments. If OECD member states introduce restrictions on certain foreign investments across the board, then this must be taken into account when assessing the Swiss regulatory approach - not least to prevent a pull effect being triggered on the Swiss economy. – In this context, the present draft represents a compromise. In order to keep the legal risks for the economy as small as possible, such a state intervention mechanism should be examined in the context of a targeted, administratively lean and transparent design. It is also important that the regulation is compatible with Switzerland's existing obligations under international law.
Outlook	The consultation process for the bill lasted until September 9, 2022. Based on the responses to the consultation, the Federal Council will prepare the draft law and probably submit it for parliamentary deliberation next year. The law is not expected to enter into effect before 2024.

Investment Protection Agreement (ISA)

Current Status	Switzerland has a network of a total of 111 bilateral investment protection agreements (ISA). According to UNCTAD, Switzerland thus 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 gap in the treaty that has existed since the previous agreement expired in 2016. SwissHoldings participated in the consultation (link statement) and essentially stated: – Direct investment is central to Switzerland: In the small and open Swiss economy, the prosperity of the population and the competitiveness of companies depend directly on integration into global value chains. – Investment promotion and protection treaties are of essential importance: For companies, foreign investments are not only

	associated with economic risks, but also with political risks. This makes treaties between states to protect and promote foreign investment all the more important. – Effective investment protection requires an investor-state arbitration mechanism: – The investor-state dispute settlement procedures have proven their worth both for Switzerland and for Swiss companies. They build on existing international structures (ICSID, UNCITRAL) and enable disputes to be resolved in a relatively timely, fact-oriented and politically independent manner. – The design of investment protection has been steadily developed in recent years: The system of investment jurisdiction has been steadily developed in recent years - particularly with regard to legal certainty and protection against its misuse. The Association has always supported the relevant work for the further development of the system. – SwissHoldings supports the present investment protection agreement with Indonesia: The content of the agreement corresponds to current standards and closes a critical gap in the agreement, which was created by the termination of all bilateral investment protection agreements by Indonesia in 2014. In combination with the free trade agreement between the EFTA states and Indonesia, which entered into effect in 2021, the investment protection agreement is expected to significantly strengthen the trade and investment dynamics of Swiss companies in Indonesia in the medium and long term.
Outlook	SwissHoldings will continue to closely follow the regulatory developments around the investment agreements and in this context will point out the great importance of the ISA and international arbitration for Swiss companies and Switzerland as a business location.

Corporate Social Responsibility

Corporate Responsibility Initiative

Current Status	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. 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 in the CO 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. SwissHoldings participated in the consultation on the TCFD regulation (link opinion) and essentially stated: – Meaningful information from all stakeholders is an important prerequisite for functioning markets. In this sense, SwissHoldings supports the aim of the regulation to strengthen transparency on climate-related opportunities and risks. – For the association, it is central that sustainability data continue to be defined in a comprehensible context within the business strategy and financial reporting. The transfer of international recommendations such as TCFD into Swiss legislation should also be principle-based - whereby the criteria of relevance, feasibility and cost/benefit ratio should always apply to transparency requirements. – The regulation is intended to define clear minimum reporting requirements for companies. This objective has been missed. As it should be examined whether Switzerland could not closely follow the climate reporting legislation recently passed in the UK, with regard to the definition of these requirements. This legislation sets a clear framework for company reporting but without limiting its scope too much. – Another argument in favor of closely following this regulatory approach by the UK is that it leaves room for future developments. The field is currently undergoing dynamic international development. It should be possible to embed the developments through a modular way in this regulatory solution. – In addition, the ordinance is intended to provide the missing details on the section "Transparency on non-financial matters" (Art. 964bis CO), which go beyond the reporting on CO2 matters.
Outlook	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 for the member companies and offer a platform for the exchange of expertise.

Developments at the EU level

Current Status	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.
Outlook	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. 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 metal products, various other non-metallic mineral products, and the wholesale of raw materials, base and intermediate minerals.

Collective Legal Protection

Current Status	On December 10, 2021, the Federal Council presented the class action bill and passed it for the attention of Parliament. The bill provides for the expansion of the existing class action, in addition to the creation of a new class action for the assertion of compensation claims, and the possibility of settlements declared binding by the courts. The business community is critical of these plans, which the Federal Council would like to establish without prior consultation, and has submitted a joint submission in view of the preliminary deliberations of the Legal Commission of the National Council (RK-N) on June 24, 2022. During this meeting in June, the RK-N decided not to act on class actions because it was not possible to decide on the development of instrumental tools for so-called "collective redress" at that time. As essential questions had not yet been clarified. The FDJP was subsequently requested by the Commission to draw up a more comprehensive legal comparison for collective action rights in selected EU states, to examine alternative instruments for "improved access to justice" (including the adaptation of existing instruments), and to analyze the new technological possibilities for the efficient assertion of claims and the associated facilitation of coordination among affected parties. Furthermore, an estimate for the cost consequences of the discussed regulation regarding the affected Swiss companies was commissioned from the Department of Justice ("Regulatory Impact Assessment").

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	In light of these extensive clarifications, it is expected that further deliberations on the bill will resume by the second quarter of 2023
Outlook	SwissHoldings supports this decision. From the association's point of view, the business is not ready for political consultation.

Accounting and Reporting

IFRS Standards

Current Status	The IASB recently added five new projects to its work program based on the "Agenda Consultation 2021". The most important of these new priorities are the development of climate-related disclosure requirements and a revision to the accounting for intangible assets. In addition, the IASB has decided to launch a follow-up to IFRS 9 with a focus on financial instruments with ESG elements. However, the agenda for the Standard Setter has been strongly influenced by developments in sustainability reporting in recent months. Great progress has been made in this regard. However, the IFRS Foundation has significantly strengthened its institutional framework: while the Standard Setter's offices in Frankfurt am Main and Montreal have been significantly expanded.
Outlook	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.

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Sustainable Finance & ESG Reporting at the EU Level

Current Status	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. 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. 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. 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.
Outlook	SwissHoldings sees the current initiatives for greater standardization in the area of Sustainable Finance and ESG Reporting as fundamentally positive. A more uniform framework for mapping a company's sustainability performance helps to create clarity and trust between investors and preparers. For the association, however, it remains 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. 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. 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.

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Capital Markets

Exchange Equivalence - Extension of the Exchange and Protection Measure

Current Status	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). In a meeting on June 22, 2022, the Federal Council adopted the dispatch on the transfer of the Stock Exchange Protection Measure into Ordinary Law. This step is necessary because the safeguard 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 the 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, it remains 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 for unlimited stock exchange equivalence. The Federal Parliament is expected to deal with the bill for the first time in the second half of 2022.
Outlook	SwissHoldings is supporting the bill on a cross-divisional basis and advocating for the interests of its member companies.

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.