SwissHoldings
Verband der Industrie- und Dienstleistungsunternehmen in der Schweiz

Nägeligasse 13
CH-3011 Bern
+41 31 356 68 68

info@swissholdings.ch
www.swissholdings.ch

Department of Economy

Trade and investment policy

Abolition of industrial tariffs

Current status	The present revision of the Customs Tariff Act is intended to set customs duties on industrial products at zero as of 1 January 2022. For the purposes of this proposal, the term "industrial products" covers all goods with the exception of agricultural products (including animal feed) and fishery products. In addition to abolishing customs duties, the bill also aims to simplify the tariff structure for industrial products. The planned simplification of the customs tariff structure will reduce the number of tariff headings in the industrial sector from the current 6172 to 4592. The proposal is part of the package of measures, "import facilitation", in the fight against Switzerland as a high-price island. On 27 November 2019, the Federal Council approved the dispatch on the Customs Tariff Act for the attention of parliament. The National Council, as the first chamber of parliament, rejected the bill by 108 votes to 83 in the 2020 summer session.
Outlook	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 too low to have a protective effect and the costs often exceed the revenue. 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. 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 contributions and 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 as a whole. Our association will closely monitor the bill in the further parliamentary process.

Free trade agreements

Current status	The Swiss economy has a strong global orientation and is therefore dependent on international trade and international investment activities. The constant improvement of access to foreign markets has therefore been and still is a focus of Swiss foreign policy. This is achieved, among other things, by free trade agreements with third countries. Switzerland has a network of 30 free trade agreements with 40 partners worldwide. Switzerland is currently negotiating 7 free trade agreements, namely with Chile, India, Malaysia, Mercosur, Mexico, SACU, and Vietnam. In addition, Parliament approved the Free Trade Agreement with Indonesia in December 2019, for which the referendum period is still running. In recent years, the criticism over globalization has become louder and free trade agreements are increasingly criticized. In particular, fears about sustainable development goals (SGDs) and climate targets have further fueled protectionist tendencies. In light of these developments, discussions about the sustainability of free trade agreements have increased. Three cantonal initiatives can also be counted among these discussions. The initiatives relate to palm oil trade within the framework of free trade agreements. One initiative by the Canton of Berne demands that palm oil be explicitly excluded from the agreement with Malaysia. In addition to Malaysia, the Canton of Jura is also demanding the same exclusion for the free trade agreement with Indonesia. The cantonal initiative from Fribourg wants non-sustainably produced palm oil to be excluded from the free trade agreement with Malaysia and border protection measures to be lifted only for a quota of sustainably produced palm oil. In addition, the production of vegetable oil, in particular rapeseed and sunflower oil, should be maintained at least at the current level and promoted within Switzerland. The initiatives have not yet been discussed in Parliament.
Outlook	The expansion of the free trade network is important for the export-oriented Swiss economy and the member companies of SwissHoldings. Free trade agreements provide privileged access to important markets and lead to more growth and prosperity in Switzerland. They also ensure that Swiss companies are not at a competitive disadvantage compared to companies in other countries. SwissHoldings thus supports the Federal Council's strategy of expanding and modernizing the network of free trade agreements and particularly welcomes the conclusion of the agreement with Indonesia. Of course, SwissHoldings recognizes that sustainability aspects must be taken into account when considering free trade agreements. The chapter on "Sustainability and Trade" in the agreements provides a solid foundation for the promotion of sustainable development. More generally, 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 the associated social progress as well as the transfer of knowledge and technology play an important

	role. SwissHoldings will monitor developments with regard to above-mentioned cantonal initiatives and will continue to support the important expansion of the Swiss network of free trade agreements.

Investment Control

Current status	In Switzerland, it is being discussed whether foreign direct investments in Swiss companies pose a threat. A current motion by SR Rieder requires that the Federal Council creates the legal basis for investment control of foreign direct investments in Swiss companies - among other things, by setting up a licensing authority for transactions subject to investment control. The focus is particularly on acquisitions and participations by companies from dynamically growing emerging markets in infrastructures such as energy, transport, telecommunications, data storage, and financial infrastructure. The Federal Council has dealt with this issue in detail in its report "Cross-border Investments and Investment Controls". The panel believes that the introduction of regulatory controls on direct investments would not bring any added value at this point in time. Regardless of this position, both chambers of parliament have expressed their support for the Rieder motion in recent months - the National Council made this decision in the spring session of 2020. The Federal Council will thus be tasked with drafting a corresponding bill. A "custom-made solution", as promised by the proponents of the bill during the Council debate, will be difficult to realize in practice. Switzerland is one of the largest direct investors in the world. In 2017, Swiss companies held CHF 1,228 billion in foreign capital. The counterpart is the stock of CHF 1,088 billion of foreign direct investment in Switzerland. Additionally, complex questions arise regarding the concrete technical implementation: According to what criteria should the authority decide whether a foreign investment is "in Switzerland's interest"? Furthermore, it will be challenging to clearly distinguish the “strategically important sectors” from other economic sectors. SwissHoldings will actively support the preparation of the concrete draft legislation. Confidence in Switzerland as an open - but already not barrier-free - investment location and in liberal economic policy must be maintained

International cooperation strategy 2021 - 2024

Current status	In its Dispatch on the International Cooperation Strategy 2021-2024, the Federal Council set out the strategic direction of international cooperation (IC) for the period 2021-2024 and proposes five framework credits totaling CHF 11.25 billion. This is the first time that a consultation on the strategy has been carried out, the results of which have been incorporated into the Federal Council's Dispatch. The matter was discussed by the National Council in the 2020 summer session. The purpose of IC remains to be poverty reduction. The specific objectives include contributing to sustainable economic growth, opening up markets and creating decent jobs, combating climate change and its effects, as well as the sustainable management of natural resources, saving lives, ensuring high-

	quality basic services, helping to reduce the causes of flight and irregular migration, promoting peace, and the rule of law and gender equality. Priority areas are the creation of decent jobs, combating climate change, reducing the causes of flight and irregular migration, and promoting the rule of law and peace with a focus on the regions of North Africa and the Middle East, sub-Saharan Africa, Central, South and South-East Asia, and Eastern Europe.

Corporate social responsibility

Corporate Responsibility Initiative

Current status	This popular initiative has been in discussion in parliament since fall 2017. In this year's summer session, the difference adjustment has been completed. Following the Federal Council and the Council of States, the National Council also recommends that the extreme corporate responsibility initiative be rejected. In addition, Parliament approved an indirect counterproposal in the final vote. This creates stricter requirements for companies to respect human rights and the environment in the supply chain but protects companies from abusive and extortionate claims. The business associations support this compromise because it relies on internationally proven solutions and does not lead to a Swiss solo effort. .
Outlook	From SwissHoldings' perspective, the goal of preventing harmful regulation regarding "Corporate Social Responsibility" in Switzerland by adopting the Corporate Responsibility Initiative remains unchanged.

CSR Action Plans by the Federal Council

Current status	SwissHoldings is committed to appropriate regulation in the area of corporate social responsibility. With its focus on international standards and best practices, the Federal Council's National Action Plan "Business and Human Rights" (NAP) and SECO's "CSR Position Paper" point in the right direction in Switzerland. On the important issue of corporate social responsibility, only an internationally coordinated approach can achieve the desired results. The Federal Council is currently revising these strategic plans. As early as December, the committee announced the content and thrust of the revision of the NAP. In the upcoming 2019/2020 period, the Federal Council will adhere to the 50 policy instruments through which Switzerland has implemented the UN guiding principles to date. In addition, it was decided to strengthen measures to raise awareness and cooperation with companies and to improve the coherence of government activities. The Federal Council has not yet published the revision of its "CSR position paper". It is to be expected, however, that in addition to the existing priorities, the committee will also give a high priority to the aspect of improved "cooperation between stakeholders". In the view of SwissHoldings, these action plans of the Federal Council are

SwissHoldings

	also of great importance in view of an upcoming referendum on the "Corporate Responsibility Initiative". These plans show how the concerns of the initiative can be alternatively taken up and implemented.

Accounting and reporting

Challenges relating to COVID-19

Current status	The outbreak of "COVID-19" at the beginning of 2020 has significant economic consequences. It is no longer only the companies that maintain significant business relationships abroad who have been affected. For many companies, the question arises as to whether and in what form the effects of COVID-19 should be taken into account in their financial statements, especially in the upcoming half-yearly financial statements. Particular attention should be paid to the standards "Financial Instruments, IFRS 9", "Leases, IFRS 16". "Asset Impairment, IAS 36" as well as the other topics "Government grants and assistance, IAS 20" such as "Provisions related to COVID-19, IAS 37".
Outlook	SwissHoldings fostered exchange on these issues among member companies and will follow further discussions.

IFRS Standards

Current status	In the area of IFRS standards, the IASB did not adopt any new standards in the last quarter. Instead, the committee published numerous draft amendments for consultation. In addition to minor adjustments to standards, the draft with the proposed changes to the presentation and structure of financial statements should be highlighted in this context. For a long time, the IASB has been endeavouring to fundamentally reorganise the presentation of the main components of IFRS annual financial statements (balance sheet, income statement, and cash flow statement). Further proposals for revision concern the area of "Goodwill and Impairment". It is being examined if there are alternatives to the existing impairment model and whether the disclosures in the notes should be expanded. With regard to "Rate Regulated Activities", a new model is being developed, which should provide more detailed information on the practice determining a company’s rate regulation. Last but not least, the two standards "Business Models under Common Control" and "Management Commentary" are also under discussion.
Outlook	SwissHoldings will continue to actively follow the IFRS accounting developments. Our association continuously participates in the IASB consultations on draft standards.

Developments on EU level

Current status	There is much debate on non-financial reporting. Especially at the EU level, the issue of sustainability is at the centre of public debate. As part of this debate, the European Commission has launched various initiatives. This includes the possible review of the non-financial reporting directive, on which the European Commission launched a public consultation in spring 2020. The focus is on whether an audit requirement should be introduced, whether the existing scope for selecting ESG aspects should be retained, to what extent a more detailed examination of climate and environment related factors should be required in future and whether the scope of the legislation should be enlarged to additional enterprises. Mandatory standards for non-financial reporting are a likely outcome of this review. A legislative proposal is expected by beginning of 2021.
Outlook	SwissHoldings participated in the public consultation on EU level and will continue to follow this issue in particular through its participation in the relevant working group at BusinessEurope.

Capital Markets

Economic Policy in the Corona Crisis: Assessments by SwissHoldings

Current status	The fight against the coronavirus pandemic poses major challenges for the economy. The economic consequences of "Covid-19" have become apparent shortly after the global outbreak of the pandemic. The downward trend in financial markets began in the week of the 24th of February 2020, when the world's leading stock markets reported the biggest slump since the financial crisis of 2008. The consequences quickly became apparent in the form of supply bottlenecks in Western companies' value chains, resulting from the weeks of standstill in Chinese production facilities. The lack of primary products, components, and end products has confronted industry and trade with unprecedented difficulties, particularly in the MEM and textile sectors. The "lock-down" measures taken by many governments - including the Swiss government - in order to contain the virus had a drastic effect. The Swiss State Secretary for Economic Affairs' (SECO) so-called «V-Scenario» - a GDP decline with quick recovery - is expecting that the Swiss economy will decrease by -7% but recover with a massive increase in GDP of 8% in 2021. The impact of the scenario «L-Recession» would be even more severe for the country. It predicts a massive decrease in GDP by -10% followed by a weak recovery of 3%. However, this forecast is subject to considerable uncertainty. The magnitude of the economic slowdown depends on whether the effects of the pandemic on international markets can be limited swiftly and what measures will be taken.

	At the beginning, „Covid-19“ spread predominantly in well-organised Asian countries and in the West. The emerging and developing countries in Latin America and Africa were only affected minimally. In the meantime, the virus has spread to these countries. Many governments have taken drastic measures to stop the spread which are, however, often hard to implement. Additionally, the weaker health systems will face difficulties in coping with the rising number of patients and effectively containing the virus. It is therefore important that Switzerland, not only focuses its attention on national strategies in the fight against "Covid-19", but also places a strong emphasis on international cooperation.
Outlook	SwissHoldings closely observes the current developments and maintains a close exchange with its member companies as well as representatives of parliament, the Federal Administration, and other public institutions.

Sustainable Finance

Current status	The topic of "sustainable finance" gained importance alongside sustainable corporate management. Especially in the discourse surrounding the Paris Agreement, it became clear that private investors must play an important role in stopping climate change. According to these considerations, the participation of private investors should ensure that market mechanisms support the most promising sustainable investments and thus allocate resources most effectively. In reality, sustainable financing has long since reached the financial markets. The number of sustainable financial products has increased massively in recent years. A study by Swiss Sustainable Finance has shown that at the end of 2018, CHF 717 billion was invested in sustainable financial products - an increase of 83% compared with 2017. The issue has also reached 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 24th of June 2020, The Federal Council has agreed on a report and guidelines on sustainability in the financial sector. The declared goal is to foster competitiveness of the Swiss financial market and contribute to sustainability. The report presents Based on the report, focus areas are: the systematic disclosure of relevant and comparable climate and environmental information of financial products, increasing legal certainty regarding fiduciary obligations respectively regarding the consideration of climate and environmental risks and effects, strengthening the awareness for climate and environmental risks and effects on issues relating to financial market stability and the observation of developments on international and particularly on EU level. Various parliamentary initiatives have also been taken on the subject. These come from all parties except the SVP. While the FDP is increasingly committed to strengthening the Swiss financial center in the area of sustainable finance, the center-left parties are focusing more on the aspects of climate

	protection and how the sector can be regulated to promote sustainable investments. 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. In addition, an update of the Sustainable Finance Strategy and of the regulation on non-financial reporting is currently being considered. At the international level, a large number of organizations have also emerged to promote the development and standardization of the field. Developments in the area of sustainable financing also affect companies outside the financial sector. It is becoming increasingly important to demonstrate to investors that sustainability criteria are being met. If satisfaction cannot be achieved, there is a long-term risk of high capital costs.
Outlook	SwissHoldings welcomes the new role assigned to the economy in the area of climate protection and sustainable development. Markets distribute resources effectively so that the marginal benefit for ESG factors can be maximized. The association will follow the current developments in this area and accompany corresponding regulatory initiatives.

Monetary Policy SNB

Current status	In these extraordinary times due to the "COVID 19" challenges, the Swiss National Bank (SNB) is increasingly coming into focus. At the parliamentary level, various proposals were discussed in the summer session with the aim of tying SNB distributions to certain purposes. In particular, the motion by National Councilor Alfred Heer aiming to allocate the income from negative interest rates directly to the AHV. The key to the distribution of profits - two-thirds for the cantons and one-third for the Confederation - is to be retained accordingly, but the negative interest is to be redistributed over the years from the Confederation's share at the expense of the AHV. This would reduce the federal share by the amount of the negative interest charged. Another motion by the WAK-N demands that this federal share of future SNB distributions be used directly to reduce the resulting Covid-19 debt. Both motions were accepted by the National Council. However, they still have to clear the hurdle in the Council of States.
Outlook	SwissHoldings will closely monitor ongoing developments. From the Association's point of view, the National Bank's distribution practice to date has proven its worth. The organization is critical of any "politicization" or further earmarking of SNB profits.