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 numerous advantages to our country. However, the EU has made further developments of the network of agreements conditional on clarification of the institutional framework. To this end, the two parties have negotiated an institutional agreement. The Federal Council held a broad consultation on the text of the agreement in 2019.
Outlook	The Federal Council considers the draft text to be in Switzerland's interest in principle. At the same time, the Federal Council opines that the institutional agreement in its current form would not gain majority support in domestic politics. It is therefore demanding clarification from the EU Commission in three areas which it considers critical: EU Citizenship Directive (UBRL), state aid and wage protection. In November 2020, the Federal Council defined its position and initiated contact with the EU. For the member companies of SwissHoldings, access to the EU internal market is of central importance. Accordingly, the proven bilateral approach must be continued and placed on a solid long-term basis. SwissHoldings is calling on the Federal Council to quickly clarify the outstanding points on the InstA. Both sides have a strong economic interest in finding a solution within the three areas of state aid, accompanying measures, and EU citizenship.

SwissHoldings

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. For the purposes of this proposal, the term “industrial products” covers all goods apart from 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 "import facilitation" measures, 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. In the autumn session, the Council of States approved the bill by 29 votes to 14. The WAK-S followed the draft of the Federal Council in in its detailed consultation. The Council of States followed on 2 December in the overall vote with 28 to 14 votes with one abstention the Committee’s decision. Due to the different positions of the two councils, the WAK-N demanded further clarifications from the administration, including questions about the partial abolition of industrial tariffs and border adjustment systems. The differences will be dealt with during the next step at the WAK-N meeting on May 17/18, 2021.
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 administrative 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 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.

SwissHoldings

Free trade agreements

Current status	The Swiss economy has a strong global orientation and is therefore dependent on cross-border 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 31 free trade agreements with 41 partners worldwide and is currently negotiating 7 free trade agreements, namely with Chile, India, Malaysia, Mercosur, Mexico, SACU, and Vietnam. In recent years, the criticism over globalization has become louder and free trade agreements are increasingly criticized. Concerns relating to sustainable development goals (SGDs) and climate targets have further fueled protectionist tendencies. Considering these developments, discussions about the sustainability of free trade agreements have increased. The referendum against the free trade agreement with Indonesia can also be seen as part of these discussions. This was approved via the Swiss popular vote on March 7 with a narrow 51.6% yes vote.
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. The referendum on this agreement is also groundbreaking as it is to be expected that future agreements, for example with Mercosur or Malaysia, could also lead to a referendum. Concerns about sustainable development in connection with global trade are increasingly calling this successful model into question, as the most recent vote has shown. Of course, SwissHoldings recognizes and supports the need for sustainability aspects to be considered in discussions surrounding 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 important economic aspects, the improvement of the labor market and the associated social progress as well as the transfer of knowledge and technology also play an important role. SwissHoldings will continue to support the important expansion of the Swiss network of free trade agreements.

SwissHoldings

Investment Control

Current status	In Switzerland, it is being discussed whether foreign direct investments in Swiss companies pose a threat for the country. The Federal Council has already dealt with this question in detail in the "Cross-border investments and investment controls" report. The body opines that the introduction of an official control of direct investments at the present time would not bring any added value. Regardless of this position, both chambers of parliament voted in favour of the Motion Rieder. The motion instructs the Federal Council to draft a bill for introducing a screening mechanism for foreign direct investments in Swiss companies - among other things by appointing a licensing authority for the transactions subject to investment control. The focus is particularly on acquisitions and investments by companies from the dynamically growing emerging countries in infrastructures such as energy, transport, telecommunications, data storage, and financial infrastructure. **The federal administration started working on the implementation of the motion. A consultation is expected in the second half of 2021.**
Outlook	Switzerland is one of the largest direct investors in the world. Swiss companies had a capital stock of Fr. 1,445 billion abroad in 2019. Counterpart to this is the stock of Fr. 1,370 billion of foreign direct investment in Switzerland. SwissHoldings member companies are the largest direct investors in Switzerland. Their capital stock amounted to 444 billion Swiss francs at the end of 2019. It is therefore a central concern of SwissHoldings that investment activity is maintained, and that Switzerland is not weakened as an investment location. This is more important as 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 foreign investment is intensifying. Switzerland is dependent on foreign investment for its growth and prosperity. A "tailor-made solution", as promised by the proponents of the bill during the Council debate, will probably proof difficult in practice. 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 guaranteed the highest possible level of transparency and legal certainty. SwissHoldings will actively accompany the elaboration of the concrete draft law. Confidence in Switzerland as an open - but already not barrier-free - investment location and in its liberal economic policy must be maintained.

SwissHoldings

Corporate social responsibility

Responsible Business Initiative

Current status	The popular initiative was put to the vote on November 29, 2020. Economiesuisse was in the lead of the business campaign. SwissHoldings took accompanying measures to support the campaign. The initiative achieved a very narrow popular majority (50.7% of votes in favor) - but the bill was rejected thanks to having clearly missed the majority of Cantons (Cantonal vote results: 14.5 NO, 8.5 YES) with an average turnout of 46%. This paves the way for the implementation of the indirect counter-proposal - if no referendum is filed against it within 100 days after publication in the Federal Gazette. Together with the publication of the Federal Council's decision to accept the proposal, the consultation period for the ordinance specifying the outstanding points of the counterproposal was opened on 14 April 2021. It will last until July 14, 2021.
Outlook	From SwissHoldings' point of view, the goal to ensure a targeted and internationally coordinated regulation regarding corporate social responsibility in Switzerland remains unchanged. The implementation of the counterproposal represents an important step in this direction. The SwissHoldings Association will closely follow the drafting of the ordinance implementing the counterproposal and participate in the corresponding consultation process. From the association's point of view, it is essential that a “swiss finish” is avoided as much as possible when implementing the provision. The economy should implement the new due diligence obligations in line with international guidelines and standards.

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

Current status	With its “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 sustainable development as an important requirement for all policy areas of the federal government. For the objectives and strategic directions for federal policy, the Federal Council has defined three priority themes: “sustainable consumption and production”, “climate, energy, biodiversity”, and “equal opportunities”. 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. At its meeting on November 4, 2020, the Federal Council opened a consultation on its strategy. The consultation lasted until February 18, 2021. SwissHoldings submitted a statement as part of this consultation. SwissHoldings also advocates for 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. On the important issue of corporate social responsibility, only an

	internationally coordinated approach can achieve the desired results. On 15 January 2020, the Federal Council approved the revised Action Plans 2020 - 2023 on corporate social responsibility and business and human rights. As early as December, the body announced the content and thrust of the revision of the NAP. The Federal Council is building on the results achieved so far and will continue to support the companies with effective measures. This particularly includes the creation of support measures for the implementation of human rights due diligence (tools, guidelines, etc.) and cooperation with multi-stakeholder initiatives that can support SMEs in particular. The Federal Council has also revised its position paper and action plan on corporate social and environmental responsibility. From a new strategic perspective, the directions have been adapted towards a strengthened stakeholder dialogue and a focus on reviewing the implementation of CSR instruments and digitalization.
Outlook	The Federal Council's action plans are currently being implemented. SwissHoldings supports the work of the federal government in this area within the framework of the Federal Commission for the Consultation of the NCP (NCP Advisory Council) and the advisory group for the National Action Plan "Business and Human Rights".

Accounting and reporting

IFRS Standards

Current status	In the area of IFRS standards, the IASB did not adopt any new standards in the last quarter. Instead, the organization 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. Furthermore, the IFRS Foundation has published a consultation paper to consider whether the IASB should play a more active role in the development of global sustainability standards in the future. Particularly, the creation of a separate Sustainability Standards Board (SSB) is being discussed in this context.
Outlook	SwissHoldings will continue to actively follow the IFRS accounting

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	developments. Our association continuously participates in the IASB consultations on draft standards. A comment letter on "Sustainability Reporting" was submitted at the end of December.

Developments on EU level

Current status	At EU level, the topic of sustainability is at the center of public discussion. As part of this discussion, the European Commission has become active through various initiatives. In the reporting area, the focus is primarily on three regulations. On the one hand, there is the 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 non-financial reporting directive, imposes new requirements on companies. The taxonomy regulation introduces a classification system for environmentally sustainable economic activities. This aims to promote sustainable investments 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. For more information on the status of the directive, please refer to the subchapter "Sustainable Finance". In addition, the directive on non-financial reporting is currently being revised. The European Commission held a consultation on this in spring 2020. The focus was on questions such as: whether an audit obligation should be introduced, whether the existing leeway in the selection of ESG aspects should be retained, to what extent an in-depth examination of climate and environmental factors should be required in the future, and whether the number of companies covered by the regulation should be expanded. The European Commission's proposal was published on 21 April 2021 and includes the following key points: - The scope of application will be extended to all large companies as well as all listed companies. - Companies are required to prepare their non-financial reporting in accordance with mandatory EU standard. - Required independent assurance of non-financial information. - The information must be published together with the annual report in electronic format. In addition, the European Commission is currently looking into possible regulation around sustainable corporate governance. It opened a consultation on this at the end of October 2020. A draft regulation is expected in the course of 2021.
Outlook	SwissHoldings welcomes initiatives that aim to improve transparency regarding ESG risks. It needs to be considered however, that companies already report extensively on their efforts towards more sustainability in their financial and non-financial reporting. This can only be realised at large expenditures. Non-financial reporting shall not lead to additional administrative costs for the real economy. SwissHoldings will continue to follow this issue in particular through its participation in the relevant working group at BusinessEurope.

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Capital Markets

Sustainable Finance

Current status	The topic of "sustainable finance" gained importance in parallel with sustainable corporate management. Especially in the discourse around the Paris Agreement, it became clear that private investors have an important role to play in stopping climate change. According to this thinking, the participation of private investors should ensure that market mechanisms support the most promising sustainable investments and thus allocate resources most effectively. Sustainable finance has long reached the financial markets. The number of sustainable finance 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. Already in 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 June 24, 2020, the Federal Council has adopted a report and guidelines on sustainability in the financial sector. The 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, the strengthening of legal certainty with regard to fiduciary duties or with regard to the consideration of climate/environmental risks and impacts, the strengthening of the consideration of climate/environmental risks and impacts in questions of financial market stability, and the monitoring of developments at the international and, in particular, EU level. The Federal Council intends to address these in cooperation with the industry and other stakeholders. These directions were further specified in December 2020 and the Federal Council decided on four measures: - Development of a binding implementation of the recommendations of the Task Force for Climate-related Financial Disclosures. - Proposal to amend financial market law to avoid greenwashing by fall 2021. - Recommendations to financial market players 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. - Expanding Switzerland's involvement in international environmental conferences and initiatives 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 proposals, including the taxonomy, which is particularly relevant for companies. The regulation, which entered into force in 2020, provides a framework for assessing the environmental sustainability of economic activities and requires companies affected by the regulation to report on it. The regulation is based on 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 preservation of biodiversity and ecosystems. A delegated act further specifying the information to be published and the methodology for its processing is to be adopted by June 2021. A draft has been published April 21, 2021. In addition, discussions are already taking place on how the taxonomy could be extended to the area of social sustainability. Furthermore, the update of the Sustainable Finance Strategy is currently under consideration. It is expected that the European Commission will present a draft in 2021. Developments in sustainable finance also affect companies outside the financial sector. It is becoming increasingly important to demonstrate to investors that sustainability criteria are being met. If this cannot be achieved satisfactorily, there is a risk of high capital costs in the long term.
Outlook	SwissHoldings welcomes the new role assigned to business in the area of climate protection and sustainable development. Markets allocate resources effectively so that the marginal benefit for ESG factors can be maximized. SwissHoldings considers it therefore important, that investors can continue using their discretionary leeway to determine which company or technology they judge to be most future-proof with regards to company financing. It is essential that all companies are offered a chance to adapt their business model and transform towards sustainability. The association will follow the current developments in this area and accompany relevant business.

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 parliamentary level, various proposals were discussed 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 the 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.