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**The Swiss government's approach towards governance  
reform in the commodity trading sector**

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The views expressed are those of the author and do not necessarily reflect  
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# The Swiss government's approach towards governance reform in the commodity trading sector

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# Commodities and Switzerland

Switzerland has a long tradition as one of the world's leading centers of commodities trading.

Commodities **trading** “hubs” in Geneva, Zug and Lugano bring in 3.5% of GDP, 10'000 jobs, largest Swiss companies.

A vast portion of world's **gold** is refined in Switzerland.

Growing **interest** from public and Parliament regarding the commodities sector.

The Federal Council in 2013 outlined its role in a **„Background Report: Commodities“**.



# The Background Report on Commodities

Takes stocks of the Commodities – especially trading – sector in Switzerland.

Describes challenges with commodities, in:

- their extraction,
- the financial flows associated,
- their trading,
- their use.



# The Background Report on Commodities (II)

Prescribes 17 recommendations on:

- Remaining attractive for the sector (1-2)
- Ensuring **transparency** (3, 6, 7, 8), avoiding money laundering (4), curb tax avoidance (5), ensuring **traceability** (9)
- Improving **corporate responsibility** and government responsibility (10-12)
- Fostering good practices in public finance management in developing countries (13)
- Combatting abusive transfer pricing through double taxation agreements (14)
- Addressing potential reputational risks (15)
- Ensuring a dialogue with stakeholders (16-17)



**Corporate  
Responsibility**





# The Background Report on Commodities... and Trading

Five Recommendations cover **trading**:

- **6**: G20 initiatives to increase transparency on commodity prices/quantities should be supported.
- **7**: Commitment to **EITI**, in particular on sales by national oil companies to commodity trading companies (including those domiciled in CH).
- **8**: Potential **introduction of transparency requirements** – cf USA & EU – for the Swiss commodity sector should be examined.
- **9**: CH should continue to promote international initiatives for increasing the **transparency of product flows**, e.g. **OECD Due Diligence Guidance**.
- **9**: CH should launch the **Better Gold Initiative**.
- **9**: CH should publish **gold trade statistics**.
- **11**: Propose **CSR standards for commodity trading**.



## Switzerland and the EITI (Recommendation 7)

**Aim** : to establish a global voluntary standard for a transparent recording of financial revenues from natural resources (oil, gas and mining).

- Transparency → governance , accountability  
→ sustainability → poverty reduction.

### Results :

- ✓ **29 countries "EITI compliant"**
- ✓ Over **200 EITI reports published** covering well **over a trillion USD** of revenues paid. (1'000'000'000'000 !)
- ✓ **Switzerland in International Board** 2012-14, influential in revising EITI rules, in reviewing effectiveness, in ensuring democratic processes.
- ✓ National Oil Companies requested **to disclose revenues from sales to traders**.
- ✓ Trading companies encouraged to disclose payments to National Oil Companies.
- ✓ In 2014, **Trafigura** committed to EITI as first trading company.
- ✓ EITI Board Meeting in **Berne in October 2015** – trading on the agenda.



# Switzerland and Transparency Requirements (Recommendation 8)

## Revising the Swiss Company and Accounting Legislation:

Swiss company and accounting law is to be comprehensively modernized and brought into line with the needs of the economy.

Corporate governance, in particular, is to be improved, new rules on capital structures and accounting and reporting requirements will be introduced, and the provisions governing annual general meetings will be updated.

As in EU and (foreseen) US legislations, **transparency of payments of extractive companies to foreign governments. Compatibility / comparability with EITI.**

The Federal Council is given a right (delegation) **to extend transparency requirement to commodity trading in the frame of an internationally harmonized process.**





# Switzerland and the Better Gold Initiative (Recommendation 9)

**Artisanal, small & medium scale mining (ASM)** → 15 m gold miners; 10/90 (gold production/employment); environmental, social, health challenges.

- I. Sustainable gold supply through **formalization** and **certification**.
  - II. Strengthening **existing certification schemes**, e.g. Fairtrade, Fairmined, Responsible Jewelry Council.
  - III. Policy dialogue and cooperation of States as a prerequisite for the sustainability of the BGI.
  - IV. Formation of a **Business platform** on sustainable gold and demand matching in Switzerland: the **Swiss Better Gold Association (SBGA)**.
- ✓ **Peru** as pilot country for implementing the BGI.
  - ✓ **500 kg** of certified gold delivered to Switzerland since 2013.
  - ✓ **CSR Fund** of 1\$/g → local power, water projects.



# 🇨🇭 Switzerland and the OECD Due Diligence Guidance (Recommendation 9)

**Aim** : recommendations to help companies respect human rights + avoid contributing to conflict through mineral sourcing

- international multistakeholder frameworks
- due diligence reporting requirements (e.g. US Dodd Franck Act 1502)
- currently covers **tin, tantalum, tungsten** (“3T) and **gold**.

## **Results** :

- ✓ **No *de facto* embargo** on DRC & adjoining countries
- ✓ **ICGLR regional “conflict free” certification** system
- ✓ **Switzerland** supports the OECD Guidance since 2012
- ✓ **SECO** a member of the group steering and coordinating the Guidance: research, outreach, policy dialogue, certification
- ✓ **SECO** pushed for opening up to other conflict-affected and high risk area **outside** the African Great Lakes region; for **linking it** with other initiatives, e.g. EITI, VPs etc.



## Publication of Gold Trade Statistics (Recommendation 9)

- Federal Council decision in 2013.
  - Disaggregated gold statistics published with details on each country of origin or destination since 1.1.2014.
  - Gold statistics on the past years (1982-2013) published in February 2015.
- ✓ 2013: 100 bn CHF imported, 80% from UK, US, CDN, I, F
- ✓ 3 bn from Peru + RU, 2 bn from BF, UZ.



## CSR Standards for Commodity Trading (Recommendation 11)

- **Dialogue launched** with trading sector, federal & cantonal authorities, NGOs
- **Common willingness** to work on standards for the commodity sector
- TORs prepared for a **baseline** and **guidance document** on how to best ensure respect for human rights
- Prospects: baseline in 2015, guidance document in 2016.







**Thank you for your attention!**



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