

GOODBYE INITIATIVE, HELLO RESPONSIBILITY

Majority support wasn't enough to get the Responsible Business Initiative into law but the vote was a watershed in expectations for responsible business.



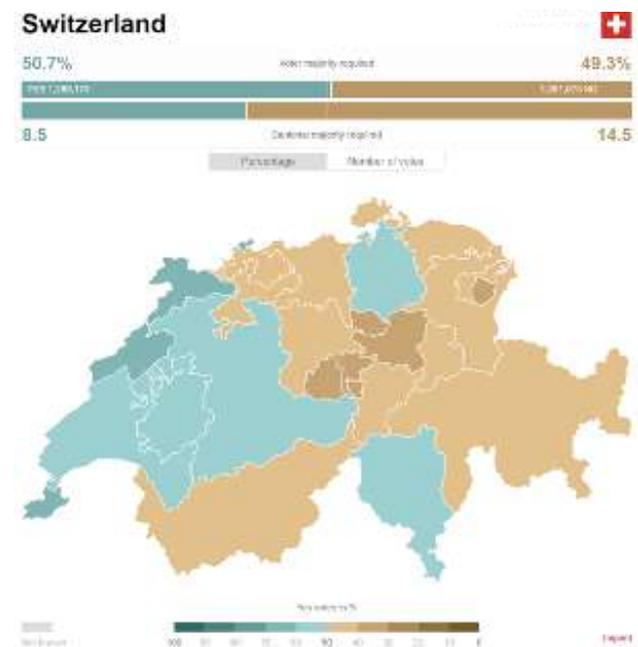
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Following over a decade of preparation and battle, it has been settled: Swiss multinationals will not be held accountable in domestic courts for their actions abroad.

While enough voters did support the Responsible Business Initiative overall (50.7% in favour) thanks especially to cantons in the French-speaking and Italian side of Switzerland, along with the urban region of Zurich, the vote failed on regional grounds due to a minority in support of all Swiss cantons, mostly because of opposition in German-speaking areas. It was the first time that an initiative failed to pass despite popular support in over half a century!

The Swiss campaign and its public support underline the current paradigm shift in how societies are viewing the responsibilities of corporations and expectations towards companies to act as good corporate citizens. Here, we take a look at the popular

initiative and, despite its rejection, what this substantial public support means for Swiss companies.



Vote breakdown by canton shows that the French and Italian speaking cantons were mostly in favour of the initiative, as opposed to their German-speaking counterparts (source: SwissInfo).

A forward-looking proposal in the making for years

The plan to make Swiss multinationals liable for their subsidiaries' potential violation of human rights and environmental damage abroad was put forward by a coalition of over 130 civil society organisations.

The alliance of NGOs, which included Greenpeace, UNICEF and Amnesty International, launched the initiative five years ago and was supported by church groups, and political parties including the Social Democratic, Green and Conservative Democratic parties. Civil society organisations had been campaigning for over five years before the launch of the initiative in 2015, when 66 organisations started gathering signatures among the Swiss public.

The initiative would have demanded companies ensure their subsidiaries and their supply chain uphold the strictest standards of human rights and environmental protection throughout operations as well as having to report on potential risks associated with suppliers and mitigations measures in place to address them. Beyond this, the initiative would have allowed any aggrieved parties to sue Swiss multinationals for damages in Swiss courts.

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The referendum was the culmination of over 10 years of campaigning for ethical business operations.

An intense campaign divided the nation for months

Opposing the proposal were Swiss businesses, supported by the government, arguing that the economic consequences of such a drastic proposal would only add to the already difficult context experienced during Covid-19.

While apparently aligned with the overall vision of the initiative, they argued that it remained too far-reaching and stringent.

The national campaign was long, polarising and emotional. Multinationals placed ads in popular newspapers warning the public of the negative economic impact of such an initiative while proponents hung banners and signs from their windows and across streets.



The campaign was intense and emotional, coloured by the orange flags hanging from windows and balconies around the country (source: IndustriAll Union).

After the ballot failed, the government committed to putting in place new mandatory checks on business operations abroad. Its proposed measure will require companies to report on human rights and environmental management, conduct due diligence checks especially when it comes to child labour and mineral sourcing from conflict areas, but does not include a liability clause like the initiative it replaces.

This counterproposal is milder than requirements in neighbouring countries such as France, which recently introduced a law holding companies responsible for abuses throughout their supply chains.

There is also the awaited EU proposal for new rules on due diligence on human rights and the environment in supply chains, which is expected in 2021.

Many are disappointed that Switzerland missed the opportunity to keep pace with its peers and even lead the way as a pioneer in the movement for responsible business practices.

People's expectations are rising

The overwhelming public support sends a clear signal to multinationals: demands for accountability are on the rise and corporations are expected to keep up.

In the words of Dick Marty, a former politician co-chairing the initiative committee and human rights expert: "if victory doesn't come today, it will certainly come tomorrow."

The movement is under way and is sending strong signals to business in Switzerland and around the world. Swiss citizens demand more from companies than financial reporting.

Stakeholders want to ensure that companies will be held accountable for actions abroad, and demand transparency and responsible action, at home and overseas.

Big companies can easily lose sight of the movements happening back home when growing in size and reach globally. If Swiss companies want to remain relevant, they must keep up to date with the rapidly changing demands and expectations of their stakeholders.

The vote did not make it into the constitution, but the attention given to human rights and green behaviour must be integrated into businesses' strategies and communicated externally.

The companies that will be able to do so voluntarily will surely stand out in the public eye and be well positioned to face possible future amendments in national and international laws.



