



Fédération de l'industrie horlogère suisse FH
Verband der Schweizerischen Uhrenindustrie FH
Federation of the Swiss Watch Industry FH

Annual Report 2020



Annual Report 2020





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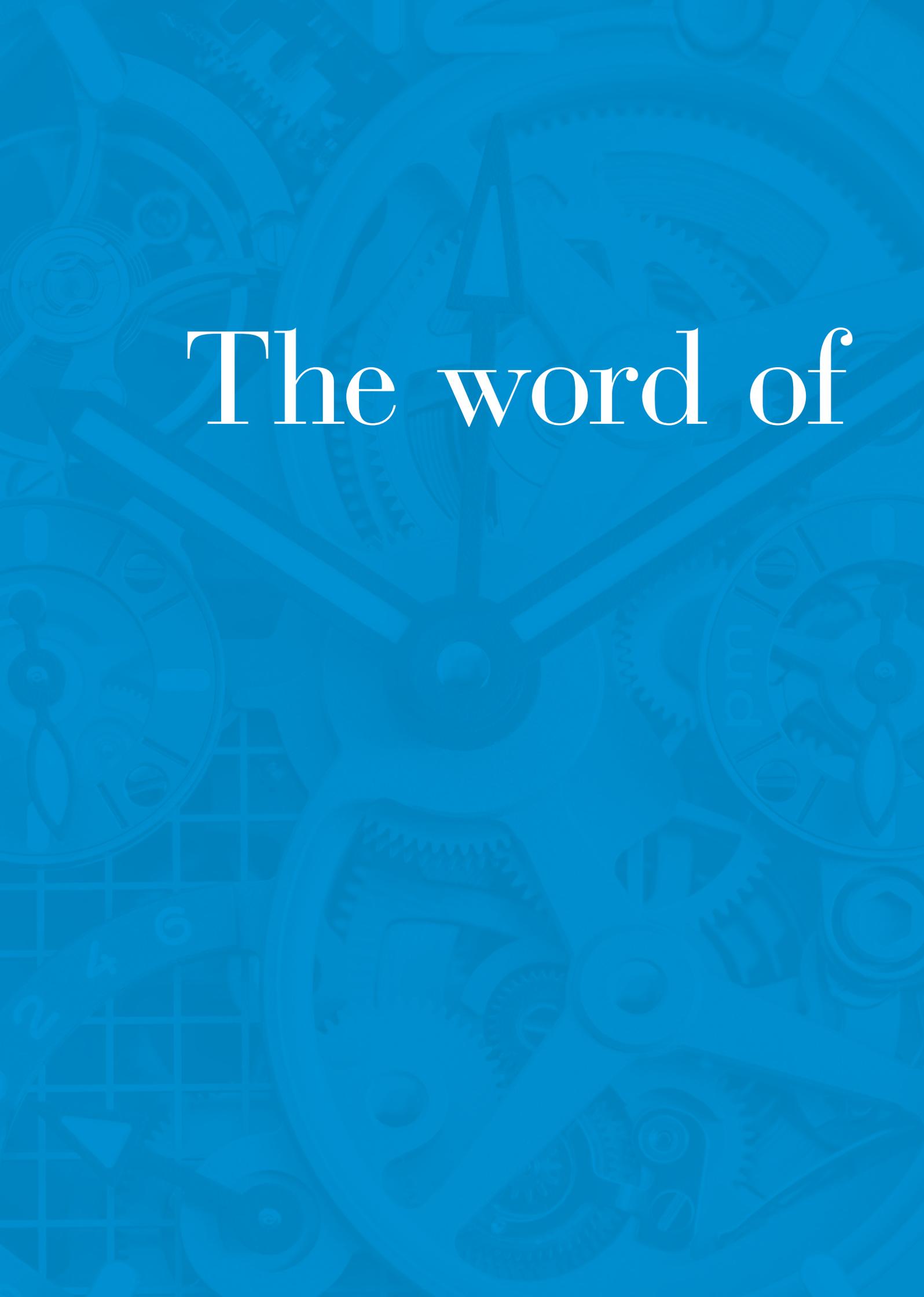
The annual report is also available in French and German in paper or electronic format, upon request.

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The word of

the President



January 2020 marked an excellent start to the year but was swiftly followed by the devastating effects of the pandemic, with exports falling by 81% in April and 68% in May. Later in the year, the declines were less sharp and by the end of December, the annual drop was 21.8%. This result is not surprising, given that busi-

nesses stopped production, shops were closed for a significant portion of the year, tourism was halted, with highly negative consequences for the travel retail sector and the Swiss franc strengthened further. Overall, it was therefore a very difficult year for the watchmaking industry in Switzerland, as it was for other sectors.

Although the pandemic commanded attention and resources, and prevented the world from proceeding as normal, the FH continued with its usual activities. First, on the domestic front in Switzerland, it provided the federal authorities with a steady stream of information on the state of the sector in order to support measures aimed at helping businesses. Secondly, turning to the outside world, we were faced with a resurgence of protectionist measures in various countries, making imports more difficult in a number of markets. Such measures included an increase in customs duties, more complex customs clearance procedures, and additional product checks.

Apart from the effects of Covid, regulations on the environment and human health once again required our attention and involvement. While the aim of such regulations may be laudable, they still have an effect on the watchmaking sector and may even have consequences that are the opposite of those intended. An example is the review of the European

directive on batteries, which could have negative effects for the watchmaking industry but also for the environment, which the revised directive is supposed to protect more effectively.

The fight against counterfeiting, which is a constant concern in our sector, took on a new dimension. I am delighted by the launch of our new AdIntelligence software, which is helping to improve our efficiency in detecting advertisements for fake watches online, as well as our case management. I would also like to highlight our increasing efforts to combat counterfeiting, with numerous seizures of copies in new strongholds for fake goods, such as the Middle East, in particular Egypt, Saudi Arabia and Pakistan.

All of these areas are covered in this report, along with information on many of our other activities over the past year.

Finally, I would like to express my gratitude to FH members and the association's governing bodies for their support and assistance, which have been particularly precious during this turbulent period, and to FH staff, who have shown commitment and flexibility in pursuing our objectives successfully, despite the challenging circumstances.

Jean-Daniel Pasche





Highlights

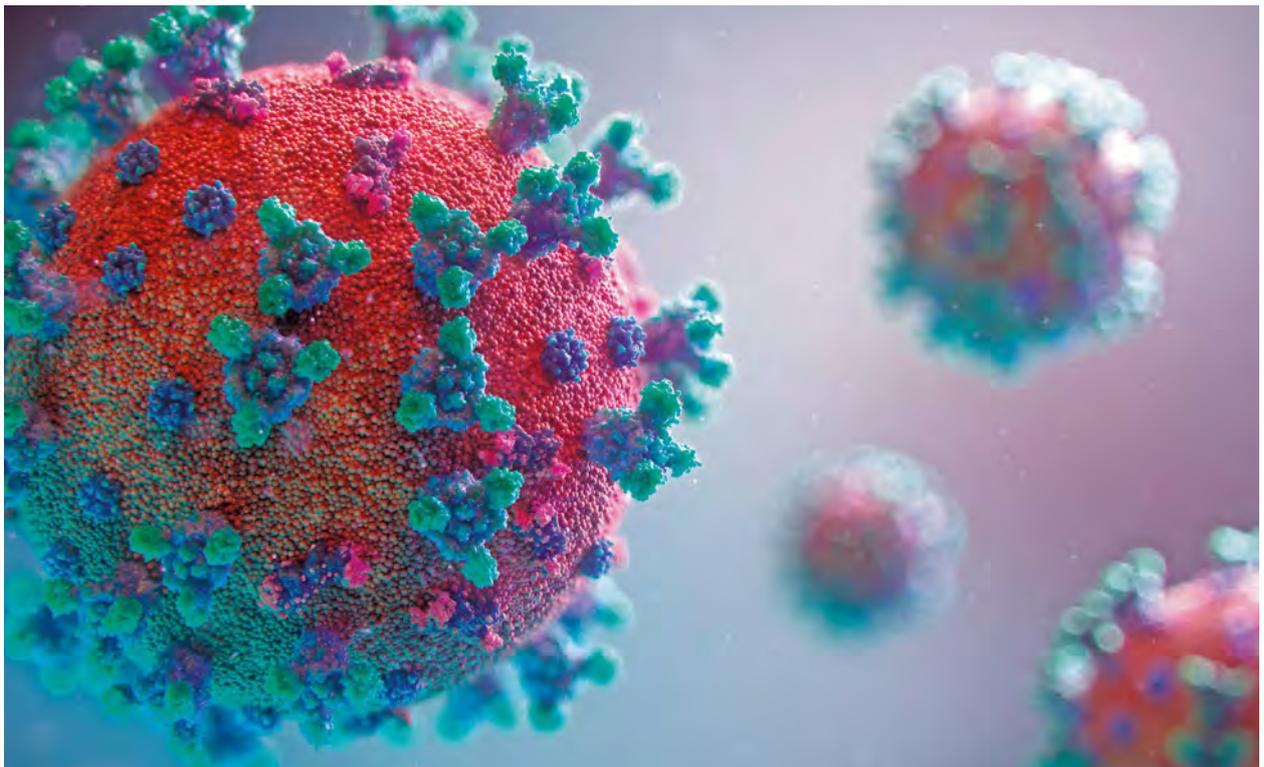
of 2020

While the last year was marked by the pandemic, the FH worked to represent the interests of the watch industry in the political management of the crisis, through regular contact with the authorities, publishing position statements and participating in round tables and consultations. At the same time, the fight against counterfeiting remained a priority, particularly in the Middle East and South Asia. Digital activities in this area were also strengthened, with the launch of new surveillance software for e-commerce platforms and social media. 2020 again saw the FH make efforts to strengthen free-trade agreements, which are essential for the sector. It also expressed its views on several technical regulations and standards with which watch products must comply, and which are increasing number on a regular basis.



Pandemic

The FH's response to Covid-19



Watchmaking is one of the sectors that will have been most affected by the Covid-19 pandemic. The global spread of the virus led to a series of total market shutdowns, first in Asia and later in Europe and America. Global tourism and travel retail literally evaporated in just a few weeks, as the usual large numbers of Chinese customers deserted Lucerne, Paris, Milan, London and New York. During the second quarter alone, watch exports plummeted by 62%.

Initially, firms in Switzerland decided on their own initiative to suspend their activities temporarily to protect the health of their staff. Soon, however, the whole sector had no alternative but to comply with the emergency measures decreed by the Swiss Federal Council and later, as the months went by and the pandemic evolved, with federal and cantonal decisions. In the end, watch exports for the year fell by 21.8%.

The FH worked particularly hard to promote the interests of the sector in the political management of an unprecedented health and economic crisis. From February onwards, it was therefore in direct and permanent contact with the federal authorities and with *economiesuisse*, to coordinate the assessment of the situation and take stock of economic concerns and expectations. It also published regular position statements on the various sets of measures implemented to support business, keep people in work and maintain production facilities.

Several detailed updates coordinated by *economiesuisse* were supplied at regular intervals, on levels of business activity, employment and investment trends, the suitability of support measures and short- and medium-term prospects, to provide the political authorities with as much detail as possible to inform their decision-making.

The FH also took part in various round tables convened by Guy Parmelin, and in two discussions led by the Economy Committee of the State Secretariat for Economic Affairs.

In some cases, the Economics Committee of the FH and other employer, sectoral or regional associations were also approached to further refine the analysis of the situation and identify desirable measures for the sector.

Several letters, co-signed by the FH, were also sent to the federal authorities to explain economic expectations in response to the various sets of measures decided as the months went by. Among other things, it communicated its disappointment concerning the delay in reopening Swiss watch and clock shops at the end of the first wave of infections. Later, when the second wave began and in light of the difficulties encountered, in particular in the subcontracting sector, it emphasised the importance of the Federal Council refraining from any further lockdown measures on any scale whatsoever.

The last survey of the year conducted by *economiesuisse* pointed to a difficult winter, as the partial recovery in the summer was followed by a further deterioration in firms' economic situation. Overall, the difficulties have continued in all sectors that export goods. All sectors combined, investment has been reduced or deferred in one firm in two, particularly among SMEs. The prospects for a return to normal suggest it will not be before the third quarter of 2021 at the earliest, a view that is largely shared in the watch industry.

The disruption has had a severe impact on the sector. Nonetheless, its capacity for resilience has helped keep the production system intact. In particular, the vast majority of jobs have been maintained thanks to the use of shorter working hours. Turning to the markets, the only marked recovery in the summer was in China, however others are not far from returning to a normal level of activity. In the meantime, the godsend of international tourism is still missing and everything suggests that a return to normal in the travel retail sector, which is intrinsically linked to air travel, will not be seen for several months, or even years. Working to tackle the consequences of the health crisis will therefore remain a priority for the FH.



AdIntelligence

New program to combat counterfeiting on the internet

After just over a year in development, the new surveillance software for e-commerce platforms and social media, AdIntelligence, came on stream during the summer of 2020. The purpose of this large-scale project was to replace the previous tool and raise the level of surveillance and automation to a whole different level.

The steady growth of e-commerce over the last decade has resulted in a sharp increase in the number of counterfeit goods sold online. Today, it is no longer unusual to find 10,000 counterfeits of one watch brand on a single sales platform. Given the quantities involved, it was becoming imperative for the FH to equip itself with a tool that could automate not only the process of searching for items on sale, but also classify them.

AdIntelligence is therefore a flexible, digital investigation tool that can generate automatic searches based on key words and prices, on any sales platform. The system runs these searches at regular intervals to identify all the items being sold on these sites. Each product is then analysed individually. The numerous operations involved including extracting important textual information, such as price, title, description, location and quantity, but also downloading images of the item offered for sale. The information gathered is used to produce a detailed analysis (classification) of whether the item is an original or a fake. Object and text recognition in the images is also used to provide additional information. In most cases, the system can therefore answer the following questions entirely autonomously:

- ◆ Is the product a watch?
- ◆ Is it a fake?
- ◆ Which brand or brands are affected?
- ◆ Does the seller have other items for sale?
- ◆ What is the seller's history (repeat offender or not)?

Once all the items on a platform have been analysed, an employee from the Internet Unit checks the results and notifies the platform about the products in question. Again, the system provides significant assistance, for example with automated form creation or filling out the fields in an online form automatically. All necessary brand certificates are recorded in the database and used at this stage on the basis of reliable information. Notification, which was previously a cumbersome and time-consuming task, has thus been made much simpler.

Moreover, like its big brother WebIntelligence (a surveillance tool for sites selling counterfeits), AdIntelligence allows members of the Internet Unit to view notified products at any time and download detailed statistical reports.

Based on its experience of investigation and development acquired over the Internet Unit's 15 years of existence, the FH designed the tool in-house, ensuring a close match between its specific needs and the software's functionalities. Together, these various aspects make AdIntelligence a comprehensive, high-performance tool that is making a significant contribution to the effectiveness of the FH's efforts to combat counterfeiting online.

Platform	Articles	Seller	Brand	Notification	Group	Error
Articles						
	Bukalapak	1eybnpk	USD 930			
Jual Rado R12638163 Original Silver Stainless Chrono Jam Tangan Pria di Lapak watchhappy						
watchhappy ID: 65290555						
Created at: 2021-01-14 17:18:00						
Category score: 2						
Counterfeit score: 1						
Quantity: 1						
	Bukalapak	47r29oz	USD 916			
Jual Jam Tangan Pria Patek Philippe Black Karet Swiss Clone di Lapak ismi shop						
ismi shop ID: 478839123						
Created at: 2021-01-12 16:56:17						
Category score: 11						
Counterfeit score: 3						
Quantity: 10						
	Bukalapak	2ikcnc	USD 909			
Jual RESELLER OPEN Jam tangan cowo PF034 Patek Philippe .Harley Davidson AP audemars pigu BARU di Lapak hayu kana						
hayu kana ID: 392968065						
Created at: 2021-01-14 16:56:17						
Category score: 4						
Counterfeit score: 3						
Quantity: 10						
	Bukalapak	23kd3vt	USD 909			
Jual NEWW Jam tangan Cowo PF035 Patek Philippe .Harley Davidson AP audemars pig TERBARU di Lapak hayu kana						
hayu kana ID: 392968065						
Created at: 2021-01-14 16:56:17						
Category score: 7						
Counterfeit score: 3						
Quantity: 10						

The fight against counterfeiting

Seizures in the Middle East and South Asia

The range of actions to combat counterfeiting taken by the FH changed significantly in 2020 in response to the Covid-19 pandemic. The consequences of border closures and the change in priorities for many authorities, particularly customs, impacted movements of counterfeit goods. To a large extent, customs authorities were mainly interested in checks on health products. Seizure notifications therefore became increasingly rare, while consumers turned to digital sales channels. In response, several FH employees lent a hand to the Internet Unit, which is responsible for fighting counterfeiting on the internet.

Tourists became increasingly rare as an inevitable consequence of border closures and the cancellation of large numbers of flights. This was particularly marked in February, when the first police action prompted by the FH in Egypt targeted two stores in Hurghada and El Gouna. Although the numbers involved were fairly small – 190 fake Swiss watches were found – this was the prelude to a ramping-up of operations in the Middle East and South Asia.

After several months of calm resulting from government measures to curb the spread of the virus, a number of operations were carried out at the end of July, including at the Al-Attaba souk in Cairo, which seems to be one of the main hubs for the circulation and sale of counterfeit watches. Around 13,000 fake watches were seized during an initial operation in one shop and its storage premises. A further 6,500 would be found during a second operation scheduled in August. The police landed a fine catch in early November, seizing 19,000 fake watches after tracking down the members of a counterfeiting ring. At the end of the year, FH service providers carried out a final operation at a store in the capital that had been identified as selling fake goods: 153 items were discovered.

Further east, following complaints filed by FH agents in four separate cases in Jeddah and Riyadh, the Saudi customs authorities confiscated 7,500 fake Swiss watches.

The FH also continued its actions in the United Arab Emirates, first with the destruction of some 200,000 counterfeits seized in 2018 and 2019. It took workers at the recycling plant three days to remove all the batteries, a necessary prelude to the crushing operation because of the harmful substances they contain.

Between mid-August and early November, based on the investigations carried out by the FH agent, the police in Dubai carried out searches at 20 apartments used for selling coun-



Recycling and destruction of almost 200,000 fake watches in the United Arab Emirates

terfeits. These were highly successful and resulted in 94,000 fake Swiss watches – copies of the brands of 18 FH members – being withdrawn from the market. Criminal complaints were filed and the suspects questioned by the police. Their passports have been temporarily confiscated until the cases have been heard in court, a process that can take several years.

Standing on the new silk road, Pakistan, and particularly the port of Karachi, one of the largest in South Asia, ideally placed between South-East Asia and the Suez Canal, seems to be a strategic location for trafficking counterfeit goods.



Seizure in Dubai



Seizure in Karachi

However, the first seizure of the year, in February, took place at the dry port in Peshawar. Following complaints filed by the FH agent, some 6,700 fake Swiss watches were confiscated from the importer, who decided to abandon his goods.

In the middle of the summer, a police operation prompted by a Japanese brand targeted a warehouse in Karachi and revealed large numbers of watches. After further complaints had been filed on behalf of FH members, the police carried out a second search, seizing 40,000 counterfeit Swiss watches.

A similar scenario played out in December. Following an initial operation, the police discovered an assembly workshop. Once the necessary formalities had been completed and complaints filed on behalf of the two FH members concerned, a second visit by officers resulted in the confiscation of over 140,000 components ready to be assembled to produce fake Swiss watches.

The FH is continuing its efforts in this part of the world to the extent that it can in light of the health crisis and the various government measures adopted to address it.

Free-trade agreements

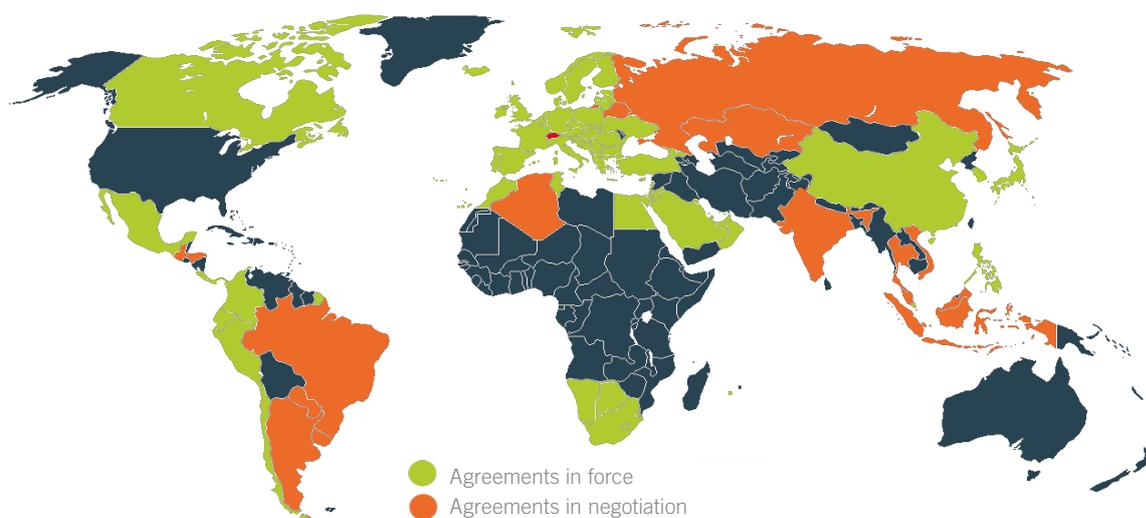
Legal certainty and stability

Free-trade agreements are extremely important for supporting Switzerland's commercial interests on world markets in a globalised economy and at a time when the need to reinvent multilateralism is clear. This is exacerbated by the fact that the recession caused by the Covid-19 pandemic has further strengthened economic nationalism and revived protectionist instincts almost everywhere in the world, particularly in Turkey and Saudi Arabia. Faced with both monetary and budgetary problems, both countries moved quickly to introduce measures that drastically reduced imports.

In mid-2020, the Turkish president, for example, decreed an immediate increase in customs duties on a whole array of products from a wide range of sources, including watches and related components. In practice, customs duties increased from one euro per watch to 45% of the value of the same item overnight. This was supposed to be reduced to 25% at the beginning of October, but in practice was not. As soon as it became aware of the decrees, the FH checked their exact content and was pleased to note that products of preferential origin were explicitly excluded from the scope of these unilateral measures. This is a direct benefit of the free-trade agreement between the European Free Trade Area (EFTA) and Turkey, which stipulates, in this case, that no new customs duty or tax with an equivalent effect can be introduced into trade deals. It goes without saying that the FH, along with the Swiss authorities, would have intervened swiftly if this provision had been ignored.

The Saudi authorities took similar steps in June, by increasing import duties on around 575 products from all third countries, including leather, textiles, machinery and electrical equipment, among others. The increase in tariffs varied between 5 and 25 percentage points for different categories of goods. Again, the FH was initially pleased to see that watches were not included on the list of products concerned and in addition, that products of preferential origin (under the EFTA – Gulf Cooperation Council free-trade agreement) were excluded from its scope. Conversely, VAT increased to 15% on all products on 1 July, up from the previous rate of 5%.

Alongside favourable conditions for market access, these two examples underline the importance of the legal certainty and stability that free-trade agreements offer. Too often, watches and particularly luxury watches are among the first products to attract additional tax decreed by governments facing temporary or long-term budget issues, a lack of structural equilibrium in their balance of trade or the need to protect their foreign exchange, as well as simply defending domestic production. The use of these types of measure is even more marked in periods of crisis. From this perspective, 2020 will have been a period of increased vigilance for the FH.



Swiss free-trade agreements



Regulatory affairs

FH guides and other activities

The number of technical regulations and standards applicable to watch products is increasing all the time and changes in this area are rapid. It was therefore important for the FH to adapt the ways in which it communicated with its members, to improve the speed and efficiency of information sharing. A new, ad hoc information bulletin was therefore launched in November and emailed to almost 600 subscribers. This service is available to any FH member who requests it, bearing in mind that it is possible to register several recipients in the same company. As well as improving communications between the FH and its members, the new information bulletin is also more environmentally friendly than its predecessor, which used to be sent as a hard copy.

FH regulatory guides are another new way of sharing information with its members. These are produced simultaneously in two languages and are designed to provide an overview of the main information FH members need in order to understand and apply certain regulations. Guides have been written first for the regulations that generate the most questions. The subjects covered to date are Proposal 65 in California, REACH and RoHS, and the SCIP database. The guides are available on the FH Extranet or can be sent to members on request.

As well the publication of a guide, drafted in conjunction with the FH legislative monitoring committee, the SCIP database prompted a number of other actions in 2020. In order to ensure uniform application of the procedure across the sector, the FH shared information with its partners abroad, including the Standing Committee of the European Watch Industry and the Comité Colbert French luxury goods association. Special courses were also set up in conjunction with the Swiss Foundation for Research in Microtechnology, along with various bilateral meetings with FH members.

Numerous other regulatory issues also required the FH to take a stance in order to protect its members' interests. No fewer than seven targeted reports on the subject of batteries were sent to the authorities, on the draft European Batteries Regulation, the draft Australian standard on the safety of button batteries and the draft international standard *IEC 60086-5 ED5 Primary batteries - Part 5: Safety of batteries with aqueous electrolyte*.

The positions taken by the FH have helped to secure several concessions from the authorities. While the draft European regulation was planning to eliminate non-rechargeable bat-

SCIP database

SCIP is a database intended to provide information on certain items marketed in the European Union, under the Waste Framework Directive. The requirements apply to a very large number of items. The simple presence of free-cutting brass containing lead in a movement, for example, is sufficient for the requirements to apply. But this is not the only material affected, of course, and numerous plastics, textiles, glues and a range of other materials are likely to contain substances included on the REACH Candidate List.

teries, the intervention by the FH meant that the European Commission's memorandum ultimately did not recommend the complete – or even partial – elimination of non-rechargeable portable batteries. Turning to the draft Australian standard on the safety of button batteries, the work undertaken by the FH helped recognise a lower level of risk for upmarket watches, as well as securing a degree of flexibility in the selection of the parts tested and the tests to be carried out. These results are particularly important for watches in the luxury jewellery market. Essentially, it will be possible to carry out the tests without removing the stones from their settings and using representative samples rather than a very high-value finished product.

In 2019, the FH published its position on the plan to restrict skin-sensitising substances in leather and textiles in contact with skin. The European Chemicals Agency's Committee for Socio-Economic Analysis issued its report on this subject in June 2020. The report adopts the main proposal put forward by the FH, namely raising the threshold for hexavalent chromium from 1mg/kg to 3mg/kg. Without this amendment, the future of straps made from leather tanned with chromium – which is the case for most leathers – would probably have been compromised. This was therefore a real success story, demonstrating the benefits of intervening with the authorities to protect the interests of the watchmaking industry. A second position statement was issued in August 2020 to protect other aspects of the planned restriction, among other things to ensure that the threshold for formaldehyde in leather straps was increased from 30mg/kg to 75mg/kg. The latter figure would be in line with other existing regulations around the world.

A draft Chinese standard on chemical substances in watches was also presented to the World Trade Organization (WTO), with the country's authorities hoping that it would come into effect shortly. However, the draft required adult watches exported to China to comply with requirements that are normally reserved for children, in particular the risk of swallowing small jewellery components. The FH therefore collaborated with Switzerland's State Secretariat for Economic Affairs to intervene with the WTO and request that the standard be amended. Following the intervention, the Chinese authorities decided to suspend the standard and request a full review of the draft.

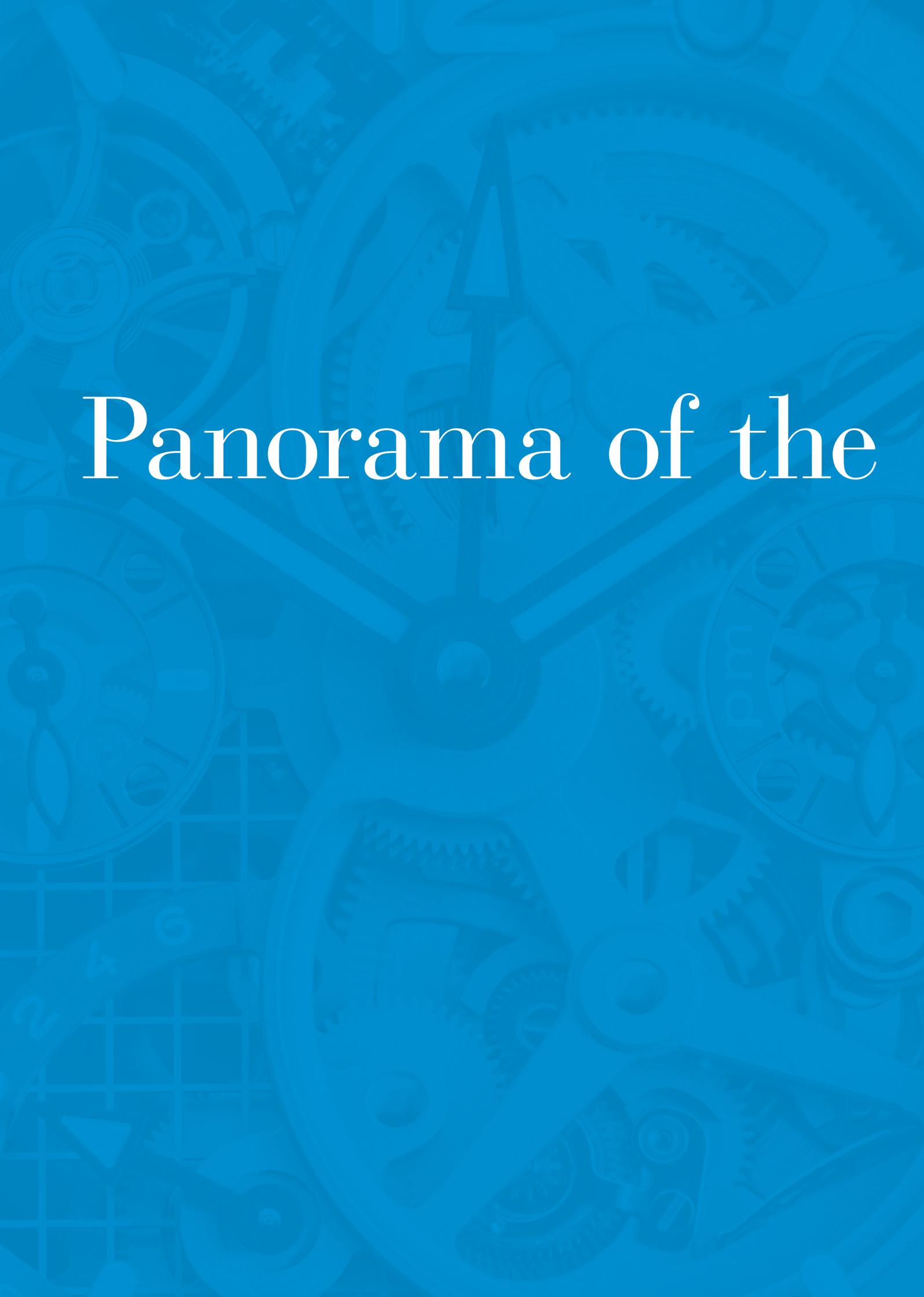
The FH also took a stance on a number of other topics:

- ♦ A plan to restrict perfluorohexanoic acid in REACH;
- ♦ The Swiss ordinance on the recovery, reuse and disposal of electrical and electronic waste;
- ♦ The revision of the Federal Act on Protected Species;
- ♦ A proposal to classify silver as a skin sensitizer in relation to the European regulation on the classification, labelling and packaging of substances and mixtures.

Finally, it was also necessary to take a number of specific actions with the authorities or find particular pieces of information. One example was the case of defending the transition period linked to the TAREKS system – designed to allow Swiss watch brands to export their products to Turkey more easily – which was initially due to end in February 2020. Thanks to active lobbying in partnership with the Swiss embassy in Ankara, the transition period is currently still in effect, over a year after its theoretical end. Similarly, there were numerous contacts with the Italian authorities and FH partners in the country, in order to clarify the obligations associated with the new marking regulations for leather bracelets.

The number of topics to be dealt with under regulatory affairs has grown sharply in recent years and, given the issues these can represent for brands and their suppliers, it is not surprising to find that a growing number of FH members are interested in these questions. Over the past year, the legislative monitoring committee that deals with these issues registered no fewer than seven new members, not counting members who were replaced during the course of the year.





Panorama of the

2020 activities

As the leading organisation for Switzerland's third-largest export industry, the FH has many objectives: improving the underlying conditions in the sector in Switzerland and the rest of the world, dealing with the challenge of counterfeiting and, for example, supporting its members and keeping them – as well as the media and consumers – fully informed. The following pages present a selection of actions carried out by the Federation in 2020.



Improvement of framework conditions

The FH continued in its efforts to protect the interests of the sector internationally. It was active in numerous markets, for example in relation to negotiations on entering into new free-trade agreements or revising existing agreements, attending official meetings (such as various joint bilateral commission meetings) or in response to requests from members.

As a result, it took action in around a dozen markets, including Argentina, Colombia, India, Indonesia, Mexico and Russia.

Market access conditions, technical or administrative regulations, technical barriers to trade, the organisation of distribution, the protection of intellectual property rights and even temporary imports were among the main areas of intervention.

Several bilateral meetings were postponed because of the pandemic, while others were able to take place by video conference. Whenever necessary, the FH submitted its requests to the ministries concerned as memoranda, including in the following countries.

Saudi Arabia

Numerous administrative complications on imports remain in Saudi Arabia, in spite of the provisions of the free-trade agreement with the Gulf Cooperation Council. There are particular issues around shipments that combine preferential and non-preferential goods (the Saudi customs authorities require these to be physically separate), recognising declarations of origin on invoices and the obligation to legalise invoices.

Colombia

Websites selling counterfeits have increased rapidly in Colombia, with more and more of them now being run by the counterfeiters themselves. Unfortunately, it has to be said that closing down the sites concerned has become extremely difficult without the proactive cooperation of the Colombian authorities.

India

Protecting intellectual property rights and the fight against counterfeiting remain problematic on the vast Indian market. While it is important to acknowledge the successful raids carried out by the Indian police during the summer, it must also be said that customs procedures aimed at preventing

imports of illegal products remain highly cumbersome. In fact, rights holders have to provide a bank guarantee for the products concerned to be seized. Officially, this guarantee is designed to protect the importer from unfair requests by the rights holder, however the latter clearly has no interest in authentic goods being seized.

Moreover, the amount of the guarantee is over 110% of the value of the goods and the significant sums involved are retained until the end of the process which can, in some cases, take several years. The FH has obviously lobbied for a simpler procedure and asked for the bank guarantee requirement simply to be removed.

It has also reiterated its complaints in light of the persistence of numerous cases of abuse related to geographical indications and the very – indeed overly – long timescales for enforcement procedures, which it pursues every year to protect the ‘Swiss made’ designation for watches.

Russia

The Russian authorities have officially confirmed that Swiss watches will be exempt from future legislation on marking products made from precious metals for identification and traceability purposes in Russia (involving an additional laser-printed QR code) on several occasions, notably in June 2019, when Minister Marie-Gabrielle Ineichen-Fleisch visited the country. This exemption is unique and based on the bilateral agreement on mutual recognition of official hallmarks on Swiss watches, which came into effect in 2013. Despite this, the FH was informed in December 2020 that the exemption was in doubt both in the draft order and its interpretation by the authorities responsible for its application. The FH immediately



On the right, the QR code that the Russian authorities want to impose

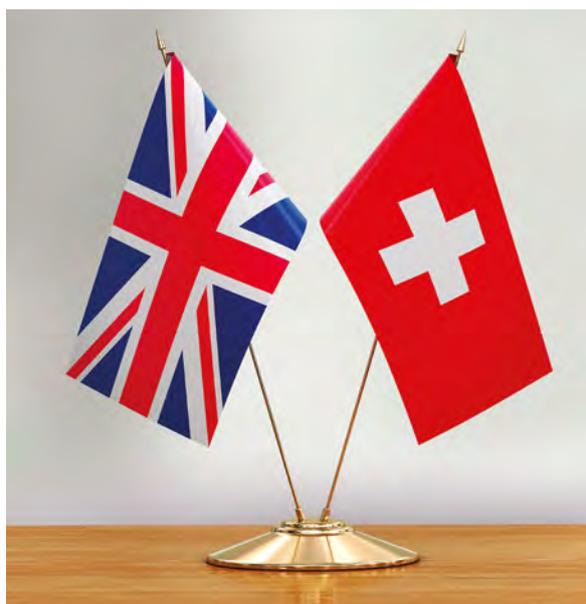
requested an official intervention by the Federal government, asking Russia to respect the provisions of the aforementioned agreement and the commitments made on several occasions.

Brexit

It was not until 24 December that the United Kingdom and the European Union finally reached an agreement, setting out the terms of their future trading relationship. At the same time, this outcome signified the entry into force of the new bilateral trade agreement between Switzerland and the United Kingdom from 1 January 2021.

Throughout the year, the FH took part in numerous working meetings and information sessions organised by *economiesuisse* in conjunction with various departments in the Federal administration, to monitor the progress of the negotiations. FH members were sent information in early November to clarify some of the new provisions and allow them to anticipate, as far in advance as possible, any administrative pitfalls in their trading relationship with the United Kingdom from 1 January 2021.

While, happily, the bilateral agreement between Switzerland and the United Kingdom contains the vast majority of trade-related rights and obligations included in agreements between Switzerland and the European Union, some technical and legal provisions were still dependent on the outcome of the negotiations between the European Union and its British partner. Although some changes have been swiftly confirmed – for example, the provisions in respect of cumulation of origin, other aspects still need to be fully resolved, for example, the transposition into UK law of certain European regulations, such as RoHS or REACH. Monitoring the application of the new bilateral agreement will evidently remain a priority for the FH.





Information and public relations

Media relations

Almost all media relations in 2020 focused on the economic situation. The consequences of the Covid-19 pandemic for the Swiss watch industry prompted numerous interviews and a multitude of articles. All Swiss media (television, radio and press) but also foreign publications, such as Le Figaro and Les Echos (France), as well as the New York Times (United States), focused considerable attention on developments in the sector. Another highlight was the article published in the magazine “Vie économique”, which is run by the State Secretariat for Economic Affairs.

As at the end of every financial year, the media year ended with a wide-ranging interview with the agency ATS/AWP in the form of an annual review, presented by the FH and shown during the festive season.

What was missing, however, were the traditional interviews that have taken place in previous years during watch industry trade shows.

All the planned conferences involving the FH were cancelled or postponed, with the exception of those that took place at the Ecole supérieure en Arts appliqués and the Centre d'enseignements professionnel in Vevey, and at the Gymnase français in Bienne.

General Meeting

Given the circumstances and the impossibility of meeting in large numbers, the FH's 2020 General Meeting took place in written form, overseen by a notary. All the points on the agenda were approved by a large margin.

Watch industry statistics

The statistics published by the FH are a quantified, regular and reliable source of data and are essential for monitoring trends in the watch market. They also provide a basis for comparison for the brands. Export declarations are compiled by the Swiss customs authorities and provide a monthly breakdown of performance in the sector by market, material and price segment. Modelling these trends can be used to produce medium-term forecasts.

Every quarter, the business magazine Tendances summarises the trends in the watch market on the basis of export statistics and numerous other decisive factors. In 2020, Tendances focused on the consequences of the Covid-19 pandemic but also the new shape of the luxury goods market, consumer expectations, e-commerce, tourism and connected watches, among other things.

The fourth quarter saw the launch of the Tendances newsletter on trends in the watch market. The latest news on topics relevant to the sector is therefore now sent directly to interested FH members every week.

Berner Dictionary

The FH completed a new stage in its work on updating the Illustrated Professional Dictionary of Horology, widely referred to as the “Berner Dictionary”. This was the final proofreading of all the new and revised definitions, a titanic undertaking that required external resources. The FH was able to embark on the work of translating the dictionary at the end of the year.

Revue FH

Throughout a year marked by the pandemic, the Revue FH continued to keep both members of the Federation and other subscribers up to date. Many businesses closed their doors for several weeks during the semi-lockdown in the spring. Quickly finding another way to disseminate information was therefore essential. The electronic version of the document therefore took priority and was promoted through several dozen emails sent on each publication. Digital distribution continues in response to the health crisis and remote working.

Website

The FH website welcomed numerous visitors in 2020, with millions of pages viewed. As a leading information source for issues in the watch sector, the site provides all the latest news from the FH and watchmaking companies, along with details of new product launches, statistics, the ‘Swiss made’ label and the scourge of counterfeiting, among other topics.

watch.swiss

The FH promotes the sector through *watch.swiss*, a themed travelling exhibition aimed specifically at the general public. A wealth of other content is provided on its dedicated website, www.watch.swiss.

Since 2016, *watch.swiss* has been touring the world and meeting consumers, explaining the inseparable ties between Switzerland and watchmaking. Although an extensive programme had been planned for 2020, exhibition dates unfortunately had to be postponed and ultimately cancelled as the pandemic spread.

That said, the unprecedented situation prompted the FH to accelerate its digital promotional activities. In the autumn, *watch.swiss* set off to conquer both Facebook and Instagram,

with the aim of communicating with consumers and chatting to them wherever they were. The new digital promotion concept obviously places significant emphasis on all the FH's member brands throughout the year, carefully targeting audiences with relevant, high-quality content.

Most of the FH's member brands are already active on social media, and a number of ad hoc joint ventures have already been set up based on various key areas of communication.

The digital promotion strategy is initially aimed at creating an organic community in certain markets, before broadening out to the key markets of China and the United States. The content strategy is to provide information to consumers by providing regular coverage of a wide range of topics, such as products, watchmaking regions, know-how, the latest news from the brands and online competitions.



The fight against counterfeiting

Scope of activities

In 2020, the FH pursued many activities to prevent counterfeiting on behalf of members of the Anti-Counterfeiting Group (GA) and the Internet Unit. We are reporting only the most salient points here, since a separate report is available to interested readers on request. There is also an article in the Highlights section of this report.

Seizure operations on the markets

Spain

The FH has been organising an annual programme of action in Spain for more than 10 years, with the aim of identifying the most problematic areas for the sale of counterfeit watches, and then carrying out raids in conjunction with the local authorities.

These recurring operations have resulted in a marked decline in the visibility of counterfeit watches on the vast majority of Spanish markets. Some areas remain highly sensitive, however, in particular the Canaries, the Balearic Islands and the small town of La Jonquera, on the French border.

It was therefore perfectly logical to target these areas as part of the 2020 action programme, which was able to take place in spite of the health situation, although on a reduced scale. In total, around 1,600 fake Swiss watches were seized and large-scale actions with good media coverage took place in La Jonquera.



Raid in La Jonquera

Turkey

The year started well in Turkey, with 34 new seizures notified to the FH in the first quarter and almost 18,000 fake watches confiscated. The arrival of the pandemic prompted the government to implement restrictions that slowed customs and police activities significantly.

The local REACT office continued to operate, however, making use of the lockdown to track sellers who are active on social media. A test purchase was carried out and, on the basis of the information gathered, a physical sales outlet was identified. The Instagram account used to sell the counterfeits was closed down and the case referred to the courts for a search to be conducted.

In addition, the FH's usual activities were finally able to resume at a steadier pace in the second half of the year, when there were 74 seizures notified and over 14,500 watches confiscated.

Training for the authorities

Although travel was severely restricted for a large part of the year under review, the FH managed to continue to deliver training for customs authorities and the police. Thanks to the responsiveness of its partners, it was possible to organise online courses delivered by video conference in numerous countries, enabling rights holders to continue their awareness-raising efforts, which were all the more important given that e-commerce soared as the health crisis intensified.

The FH was able to train over 500 customs and police officers from Spain, Portugal, the Benelux countries, Mauritius, Lithuania, Slovakia and Great Britain in recognising fake watches.

Participation in Stop Piracy activities

The FH is one of the founder members of the Swiss platform to combat counterfeiting and piracy – Stop Piracy – and therefore plays an active role in its awareness-raising activities.

The association launched a new education programme for Swiss schools in 2020, in conjunction with an agency that specialises in educating the public, to ensure that the information was appropriate to the audience. In concrete terms, this involved developing a website aimed at raising awareness among 15 to 20-year-olds, with practical questions and answers on intellectual property and educational resources for teachers.



Training for the police and customs authorities took place by video conference in 2020

Actions on the internet

The FH's Internet Unit managed to remove over a million counterfeit watches from e-commerce platforms and social media for the fifth year running. At the same time, it built on its experience in this field to develop an in-house tool to tackle the task even more efficiently. The tool, called AdIntelligence, went into production in the summer of 2020 and has already exceeded expectations, in particular by bringing all surveillance operations on Asian platforms and social media back in-house, when they were previously outsourced (see Highlights section, page 10).

The contacts established with Asian platforms meant best practices could be adopted swiftly. The Internet Unit is in close contact with the Alibaba legal team and was therefore able to deliver a comprehensive training course telling them more about the Swiss watch industry and its products, and the dilemmas it faces, particularly with the Alibaba and AliExpress websites. American platforms were also targeted, with good progress made with Amazon and its efforts on targeting "bad brands" resulting in the withdrawal of an entire series of products that were harming registered trademarks. The main platform in Latin America, MercadoLibre, sought help from the FH to publish documents online to help sellers on the platform learn more about watch brands and thus avoid selling products that could infringe their rights.

From a legal perspective, Europe began examining new legislation on digital services, which will bring a range of advantages and disadvantages in combating counterfeiting online over the next few years. The roles and responsibilities of the platforms are, of course, covered. Pre-existing cooperative relationships with the platforms are essential, insofar as they establish a relationship of trust and enable more efficient prevention and notification procedures.

In terms of dedicated counterfeit watch sites, the FH continued to run efficient surveillance activities through its WebIntelligence platform. Hosting companies that fail to respond to the usual notices to remedy are identified and investigated. A cross-cutting consultation with other industrial sectors was launched to identify common targets and unleash a more significant strike force.

Alongside its operational activities, the FH continued with measures to seize the assets of seller accounts using PayPal, which resulted in freezing significant sums of money derived directly from the sale of counterfeits.

Finally, the FH continued an investigation, which began in 2019, of a large network reselling high-quality counterfeits. The items listed made unlawful use of 15 different marks (compared with 22 in 2019). It filed a formal complaint in China and is in regular contact with the Swiss, French and Chinese authorities in pursuing this important case.

Technical analyses

During the year under review, watchmakers in the anti-counterfeiting department carried out a technical analysis of 105 samples, i.e. 166 fewer items than in 2019 (-61%). The outcome of these analyses was recorded in 104 reports on origin, one fewer than in the previous year (-1%). The items listed made unlawful use of 15 different marks (22 in 2019). The samples examined in 2020 were seized or acquired in 20 countries (22 in 2019). The watches and reports were forwarded to the rights holders, as well as to the bodies that had originated the confiscation actions.

Reading these key figures, it is not surprising to note that Covid-19 had – and will continue to have – marked effects on the FH's watchmakers. It is also worth remembering that the statistics for batches analysed have been in decline since 2016, when the legal basis applicable to Swiss seizures changed. As readers may recall, the move from the Federal Act on the control of

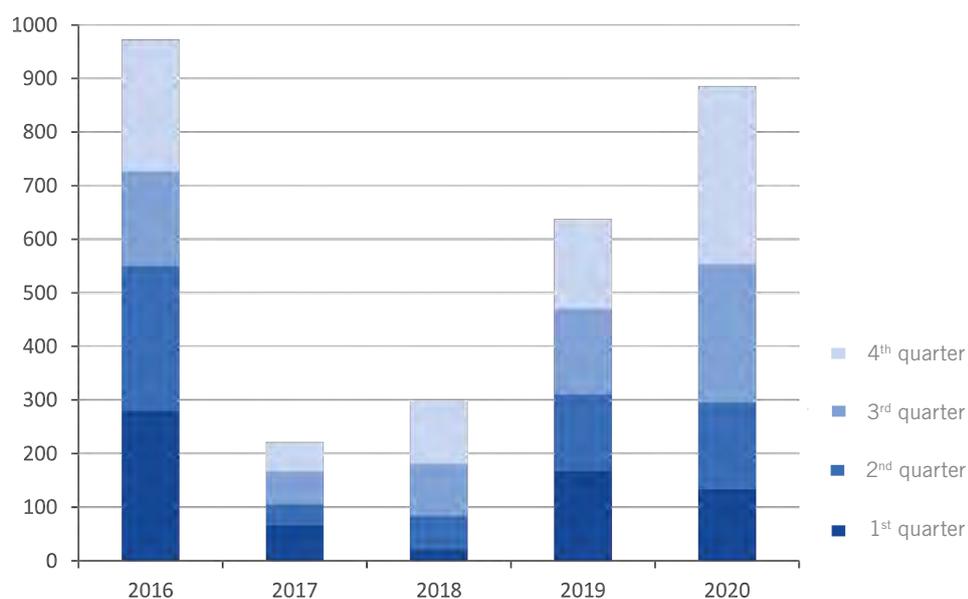
precious metals to one on the protection of brands has had a significant structural effect on the technical work carried out, resulting in a sharp drop in the number of samples received for analysis. The pandemic has added its weight to the underlying trend, further reducing the number of batches examined.

Strong demand for assessments

At the same time, and in contrast to technical investigation activities, there has been a high level of demand for expert assessments carried out by the FH's specialists. The trend began to be noticeable in 2018 and became more marked in the year under review, increasing from 1,600 requests in 2019 to 2,589 in 2020, an increase of 62%. The change reflects the increase in requests for intervention by the customs authorities in Switzerland and worldwide, combined with a systematic requirement for confirmation based on an expert opinion to ensure that seizure/destruction procedures can be completed smoothly. In other words, for every seizure, the aim – as far as possible – is to avoid the inappropriate destruction of products that have been wrongly identified as counterfeits by an authority. Should it occur, it falls to the brand concerned

to assume all the legal (and financial) consequences of mistaken identification. This is not only a problem for watches but is made particularly acute in this sector because of the high value of Swiss watch products. FH watchmakers are therefore under strict instructions to recommend that a watch is released unless they are convinced it is a fake. In principle, an email confirmation is sufficient, but some national legislation is more stringent and requires a formal certificate on FH headed paper (40% of cases), which naturally creates an additional administrative burden.

Turning more specifically to joint requests for intervention in Switzerland, 2020 was marked by an expansion of the range of brands under surveillance (with a further +11 added), resulting in an “automatic” increase in seizure procedures. The number of notifications in 2019 was just over 600. In 2020, it rose to 886, an increase of 48%. Admittedly, we are still well below the 973 cases reported in 2016. Readers may recall that the “stabilisation” programme implemented by the Swiss customs authorities (DGD) reduced this number to around 200 in 2017. Intense lobbying by the FH has borne fruit and the DGD seems to be returning gradually to more effective arrangements in terms of checking goods at the Swiss border.



Joint request for intervention in Switzerland: trend in seizures (source: FH)

In total, combining certificates from the Federation's joint requests and those from subcontractors, 1,831 Swiss consumers – or five individuals a day – were reminded to stay within the law after ordering a fake watch on the internet in 2020. Has everyone learned their lesson? The low level of reoffending suggests that things are moving in the right direction. Ultimately, although requests for intervention generate a significant amount of administrative work, the results seem to suggest that the procedure is not in vain.

Broader opportunities for analysis

Watchmakers in the anti-counterfeiting unit took advantage of the highly unusual circumstances of the year under review and used the periods of full or partial lockdown to improve their skills in analysing materials. The year was also an opportunity to follow up, in practical terms, on the research carried out in close collaboration with the School of Criminal Justice at the University of Lausanne. Accordingly, the FH purchased an analytical tool that uses X-ray fluorescence spectrometry,



XRF gun

more commonly known as an “XRF gun”. This device can be used to determine the metallic composition of watch components quickly and without damaging the item. How does it work? In simple terms, the sample is irradiated by a source of X-rays. In response, the sample emits its own X-rays with discrete forms of energy characteristic of the elements found in it, to establish its chemical profile. In more vivid terms, it is rather like throwing a stone against a wall and finding out what type of wall it is based on the noise you hear at the moment of impact. The device is not only essential for assessing the fineness of alloys made from precious metals but can also determine the quality of steel and galvanised coatings and, to an extent, the precise nature of imitation leather straps or mineral glasses. Watchmakers are thus able to add important objective information to the criteria used for identifying a counterfeit.

“Swiss made” still highly desirable

As usual, the vast majority of the samples analysed during the year under review involved counterfeit brands and/or models. The remainder were all the items that are copies of neither brands nor models but use a Swiss indication of geographical origin in a way that is either misleading (“SWISS MADE” or “MADE IN SWITZERLAND” or a derivative such as “GENEVA” or “INTERLAKEN”) or breaches the regulations in effect in Switzerland. The anti-counterfeiting department produced eight reports on this issue during the year under review (compared with 17 in 2019). The eight samples came from Hong Kong (6), Taiwan (1) and Turkey (1). These were test purchases carried out to bolster existing cases and provide evidence for ongoing proceedings. It can sometimes also be a question of checking that a company is complying with the commitments it has signed.

Alongside copies of brands or models, we also find unlawful technical indicators, mainly the “CHRONOMETER” label and the Geneva hallmark, as well as fake precious metals hallmarks. In recent years, the “CHRONOMETER” label, which nowadays enjoys high prestige, has proved attractive to the counterfeiters. In 2020, the FH recorded 28 cases of unlawful use of this label or its derivatives on both watches and the commercial documents that accompany them (100 in 2019).

After processing in the database, all the information gathered during the year was used to produce eight summary reports (compared with six in 2019) to supplement individual reports on origin. These reports provide a statistical panorama of

counterfeiting by brand and model, offering further points for consideration that can be incorporated into the preventive strategies developed by the companies concerned. The FH now has access to a huge volume of data (91,000 records of fake watches, 107,000 examples of illegal marking, 6,700 records of seizures and 17,000 samples). In the era of big data, using and summarising these data is gradually gaining ground on traditional technical investigations, but will not replace them. A counterfeit watch will always constitute incontrovertible physical proof of an illegal activity. This reveals physical and chemical data that can be observed at several analytical levels, combined with spatio-temporal data. Combining all these data is a crucial step towards a detailed understanding of the structure of the criminal networks involved. Gaining a better understanding of counterfeiting means analysing it from multiple perspectives and exploiting the full potential of any traces of any kind whatsoever. As a result, a “clinical” examination of a counterfeit watch is still essential.

Standardisation

With the help of its Standardisation Committee (SC), the FH coordinated and contributed to the progress of several national (NIHS), European (CEN) and international (ISO) projects. The health situation meant that working meetings were mainly held by video conference, a tool that is clearly not a perfect replacement for face-to-face meetings, but which nevertheless provides an excellent way of continuing to work effectively.

In terms of national standardisation, the main projects involved the finalisation of a new standard on gauges for miniature threads (NIHS 06-12), the development of a standard on quality control of small diamonds (NIHS 67-01), and a revision of the standards on the shocks absorbed by watches during wear (NIHS 91-30 and NIHS 93-20). Two so-called “strategic” meetings were organised by the SC to define priorities in terms of standardisation over the next few years. Among other things, this will involve focusing on three main areas: providing more information to the supply chain, creating new consumer-oriented standards and supplementing current ISO standards with more stringent NIHS standards. The SC also took into consideration the fact that the content of a standard must reflect the state of the art and current industry practices, to reorganise the collection of standards documents and therefore convert into NISH₆ guides any standards that no longer meet these criteria, but which it is useful to retain for teaching purposes.

The FH has been asked by the Swiss Association for Standardisation (SNV) to provide the secretariat for the interdisciplinary committee *INB/NK 164 - Jewellery and precious metals*, an institution that mirrors the five corresponding committees at European and international level. Working in cooperation with the appointed experts, it is therefore responsible for acting on the votes initiated by these committees and then forwarding a representative position statement for the whole of the Swiss industry to the SNV. Over the past year, over 20 votes were coordinated and two plenary meetings held, in January and September. The main topics discussed were the roles and responsibilities of working group facilitators, delegates and experts, as well as reports by the heads of delegation of the mirror committees. Updating the action plan will also ensure better follow-up of tasks and activities handled by the INB/NK 164 committee.

The FH continues to have an excellent relationship with the European Committee for Standardization, mainly on draft standards with an indirect link to watchmaking. This relationship has been further strengthened with the appointment as the chair of the Technical Committee *CEN/TC 347 - Methods*

for analysis of allergens of Patrick Lötscher, the head of the NIHS service. Several meetings were held during the year on revising standards relating to the release of nickel.

In terms of international standardisation, 2020 saw the finalisation and publication of several projects, namely the standards on magnetism *ISO 764 - Magnetic resistant watches*, anti-reflective coatings *ISO 14368-4 - Mineral and sapphire watch-glasses - Part 4: Anti-reflective treatment*, watches made from hard materials *ISO 18684 - Timekeeping instruments - Watch external parts made of hard material - General requirements and test methods*, and the clocks standard *ISO 23346 - Radio-controlled clocks - Signal receiving measurement method*. Other work focused on *ISO 17514 - Time-measuring instruments - Photoluminescent deposits - Test methods and requirements*. In addition, the working group examining standard *ISO 22810 - Water-resistant watches* continued its work with the establishment of an experimental plan for improving condensation testing.

Finally, we should note that four standards considered as part of the systematic examination process were confirmed for five years. These were the standards on wrist chronometers (*ISO 3159*), horological vocabulary (*ISO 6426-1* and *ISO 6426-2*) and part 2 of the standards on watch-glasses (*ISO 14368-2*)



Legal and economic services

Several services are available on the FH extranet site. These are reserved for its members, giving them access to privileged information and useful working tools. Topical news items linked to FH activities or matters of direct concern to its members are updated regularly.

Legal services

Numerous legal cases were dealt with at the usual pace in 2020, in spite of the pandemic. One important project was brought to a successful conclusion concerning the registration of the “Swiss” collective mark in the European Union. This was finally completed in class 14, which covers watch and clock products, on 16 July 2020. The mark will help the FH to protect Swiss-made watches within the EU, as it does with the “Swiss” and “Swiss made” certification marks in the United States and Hong Kong. The FH will use the collective mark not only in procedures to oppose the registration of EU or national marks that include the term “Swiss” unlawfully in either an identical or similar form, but also in respect of web-based sales platforms, which often require a protective title before they will delete non-compliant products from their sites.

The FH also took part in several consultation procedures and drafted position statements aimed at the Swiss authorities. Examples included the revision of the Swiss VAT Act and its implementing order, and the revision of the Customs Act. In both cases, the FH pinpointed the administrative shortcomings of the new planned procedures and drew the authorities' attention to the importance of the fight against counterfeiting for the industry, an activity that can sometimes seem to be relegated to the background.

Another project that occupied the legal services team throughout 2020 was the French Act on combating waste and promoting the circular economy, and its implementing decrees. The Act's aim is laudable, namely stopping the use of disposable plastics by ending the marketing of single-use plastic products by 2040. Targets on waste reduction, reuse and recycling will be set by decree to achieve this. The project also aims to provide better information to consumers, particularly on the presence of hazardous substances. From 1 January 2022, manufacturers will have to list any hazardous substances used, and specifically endocrine disruptors. The more ambitious objective is to combat planned obsolescence. Accordingly, sellers of electrical and electronic equipment, including online sellers, will be obliged to show repairability and sustainability indicators. The general decree requires producers and importers to inform

retailers and other interested parties of the indicator and show how it has been calculated, free of charge, in an electronic form. Retailers and sellers, including online sellers, must display the indicator and show how it has been calculated, free of charge, at the point of sale, according to the conditions and marking requirements set out in a specific order. It must be clearly visible, either on the item or in its immediate vicinity, or next to the price for online sales. It will obviously be important to monitor how this legislation evolves in terms of the implementing decrees and inform FH members of any requirements they may need to meet.

The FH also took part in the review of the Swiss Data Protection Act (LPD). The bill had been the subject of fierce debate in the Swiss parliament since it was presented by the Federal Council in 2016. It was not until September 2020 that the parliament finally adopted a definitive version of the LPD, which is designed to respond to the new requirements of the digital era and the technological changes that have occurred in recent years. In particular, the changes include a broadening of data defined as sensitive, the obligation for the controller and processor to keep a record of their processing, and more stringent requirements in terms of the information provided to data subjects. Once the new Act comes into force, probably in 2022, Switzerland's data protection law will satisfy the standards set by, among others, the EU, in the context of the General Data Protection Regulation. The LPD and the planned changes are currently being examined by the European Commission; any failure to issue an adequacy decision could have adverse effects on cross-border movements of data for Switzerland.

Economic services

FH members have access to extensive statistical and economic information, particularly through the extranet site. This provides access to the complete database of watch export statistics, quarterly analyses of trends in the market in the magazine *Tendances* and information on exports from other major global players. Members can also sign up to receive the weekly *Tendances* newsletter, which focuses specifically on the watch market.

Relations with the authorities and economic circles

Watchmaking associations

The usual watchmaking association meetings in various parts of the world were cancelled as a result of being unable to meet anywhere from Basel to Hong Kong.

Conversely, the FH intensified its contacts with the Swiss authorities to provide detailed, regular updates on the sector in light of the measures taken by the Confederation and the cantons as part of their efforts to combat the effects of the pandemic (see Highlights section, page 8).

economiesuisse

The FH is an active member of economiesuisse and is represented on the following bodies: General Meeting (Jean-Daniel Pasche, FH), Committee (Thierry Kenel, Swatch Group, Me Theda Koenig Horowicz, Rolex, and Cédric Bossert, Richemont), Executive Committee (Thierry Kenel, Swatch Group), Board of Association Managers (Jean-Daniel Pasche, FH), Legal Commission, WTO Working Group, Working Group on questions of origin and customs issues, Expert Group on intellectual property, Working Group on short-term economic issues, Expert Group on relations with the European Union, Competition Commission.

It was heavily involved in discussions within economiesuisse to ensure that the efforts of the watchmaking sector were taken into account in the messages sent out by the umbrella association for the Swiss economy, particularly those aimed at the federal authorities. Almost all meetings were held by video conference.

Standing Committee of the European Watch Industry (CPHE)

Members of the CPHE (Germany, France, Italy and Switzerland) held their annual meeting online on 16 October 2020. Chaired by Jean-Daniel Pasche, the discussions focused mainly on current technical and legal issues.

The European delegation was first informed of the FH's registration of the "Swiss" certification mark in class 14 in the European Union. As in the United States and Hong Kong, the regulation governing the mark is based on the Ordinance governing the use of the word "Swiss" for watches. Initial enforcement proceedings were able to be launched very quickly following the registration date.

The next item was an update on the French Act on the circular economy published at the start of the year, whose requirements are particularly relevant to quartz watches (availability of spare parts, repair times, reparability indicators and consumer information). Since legislative work had been stopped by the pandemic, the FH was unfortunately still unable to provide useful information on the practical obligations the Act would entail for manufacturers.

The FH also highlighted the importance of the issues associated with the revision of European Directive 2006/66/EC on batteries and accumulators. This could enter into force in 2022 and provides that primary (button) batteries should be replaced by rechargeable batteries. Both the FH and the CPHE have played an active role in the various European consultations to highlight the technical, energy-related and environmental inefficiency of such a measure and accordingly, explicitly request the removal of the ban on primary batteries. It goes without saying that many other industrial sectors are also directly affected by the revision.

CPHE members also shared a significant amount of information on changes to other European regulations directly affecting the watchmaking industry, such as RoHS or REACH (including a proposed restriction on skin-sensitising substances in leathers and textiles and the new SCIP database, among others).

Finally, the fundamental changes impacting trade shows in the watchmaking sector, which have been significantly accelerated by the pandemic, were the subject of a detailed discussion.



FH centres abroad

FH Centre in Hong Kong

2020 was a particularly difficult year in Hong Kong because of both the political situation and the health crisis. The economic consequences, dominated by the collapse of the local watch trade, severely affected business development with the special administrative region throughout the year.

Nonetheless, the FH Centre in Hong Kong resolutely pursued its activities to support the sector as a whole and the association's members in particular. First, it provided regular information updates to the central office and to members on the changes in the market situation as the months passed. It also continued to offer practical support to several subsidiaries or local representatives of brands in areas as varied as introducing commercial or industrial partners, in Hong Kong, China and elsewhere in the region, identifying new employees or providing personal support for visits to markets in south-east Asia.

The Hong Kong Centre also responded to numerous requests from FH members, especially in the legal field and on preventing counterfeiting throughout the region. In particular, it provided assistance to many brands to facilitate their registration with the Chinese and Korean customs authorities. Similarly, it conducted several dozen investigations of local companies and filed a number of objections each month against the registration of marks in Class 14 (watch industry), both in Hong Kong and elsewhere in the region.

FH Centre in Tokyo

On the Japanese market, the FH Centre in Tokyo provided support to FH members and their local agents, by supplying commercial information, establishing business contacts and providing linguistic assistance, among other things. It also acted on requests from the media and maintained a close relationship with local professional organisations and diplomatic representations, as well as responding to specific requests received on a daily basis from Japanese consumers or companies.

The FH centre also provided regular assistance to consumers in the form of after-sales services, as certain brands no longer offer maintenance for older models. This is one of the reasons it also manages an after-sales service pool for a number of Swiss brands.

During the summer, the FH centre provided association members and their Japanese representatives with the long-awaited results of its survey on watch consumption in the Japanese market (2020 Consumer Survey on Wristwatches). On this occasion, a large part of the survey was dedicated to analysing purchase locations, selection criteria and the secondary market, as well as the consumption of connected watches.

The conditions under which the FH centre organised its fourth information seminar for FH members and their local representatives were obviously unusual. The event was initially scheduled for two days but had to be extended by a day to accommodate the 60 or so registered participants – many more than had been anticipated in the circumstances. Each seminar offered private sessions for a limited number of people, providing a secure and comfortable environment as well as creating a more interactive experience. The topics covered this year included the FH's statistical services (analysis of watch exports to Japan), its promotional support for brands via the travelling exhibition *watch.swiss* aimed specifically at the Japanese market, and a detailed analysis of the results of the most recent survey on watch consumption in the local market. It is interesting to note that many participants once again praised the relevance of the two-yearly survey, which they see as a highly useful supplementary working tool that offers an overarching, cross-cutting analysis of the market.

Finally, in spite of the health restrictions, the FH Centre in Tokyo was still able to host the travelling exhibition *watch.swiss Japan* as part of two watch fairs organised regularly by some of the main Japanese stores. Now enhanced with a



Seminar organised by the FH Centre in Tokyo



watch.swiss Japan at the World Watch Collection organised by Daimaru Shin-saibashi in Osaka

touch table that allows visitors to assemble a watch movement virtually (many thanks to the Vallée de Joux watch centre for its kind and successful cooperation), *watch.swiss Japan* travelled to Osaka in late October and mid-November for the “World Watch Fair” at the Abeno Harukas Kintetsu Honten department store and later, the “World Watch Collection” created by Daimaru Shin-saibashi. The FH was thus able to provide promotional support to numerous Swiss watch brands which, in line with Japanese tradition, took part in the two events.

Latin America

At the end of the year, the FH said goodbye to Philippe Widmer, its representative in Latin America, following his decision to take a well-earned retirement. Philippe had represented the FH in Latin America for eight years, mainly focusing on the fight against counterfeiting.

From 2021 onwards, the operational aspects of activities to combat counterfeiting in the region will be managed directly from the FH head office in Bienne, which coordinates actions in close cooperation with local lawyers and investigators. Awareness-raising and training for the authorities, which require a physical presence, are provided by representatives from Switzerland Global Enterprise (SGE) in Latin America.



The Swiss watch

industry in 2020

The statistics processed, distributed and analysed by the FH are a key indicator for the sector. Prepared by the Federal Customs Administration on the basis of declarations made by firms, they constitute the main official, regular and reliable source for monitoring the development of watch exports. Through a wealth of detailed information concerning markets, products and price segments, the FH can pinpoint recent or historic trends in the Swiss watch industry.



Watch industry statistics

General situation

2020 was marked by the unparalleled events and particularly severe consequences of the Covid-19 pandemic. The lockdowns and drastic measures imposed in most countries in the spring and again at the end of the year, as well as the temporary halt to production and distribution during the second quarter, had a particularly damaging effect on business throughout the sector. The shutdown of international tourism also proved highly problematic, depriving numerous European and Asian markets of a traditionally very important clientele.

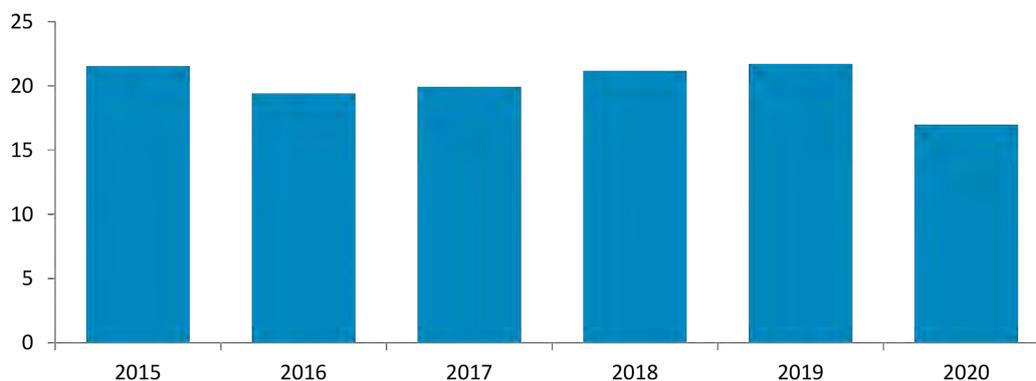
The changes that have been underway for some years have accelerated sharply in response to the problems caused by the crisis, allowing the sector to adapt more rapidly to new market characteristics. The digitalisation of customer relations and particularly, an increasing share of sales, has created new opportunities and partially offset the difficulties faced by traditional distribution channels. Initiatives in the area of sustainability are also responding to current and future consumer expectations.

Swiss watch exports

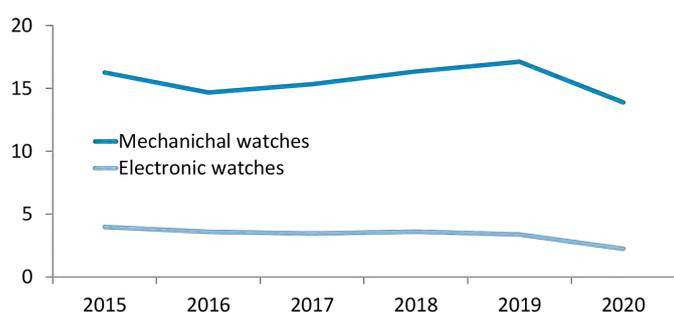
The value of Swiss watch exports fell to 17 billion francs compared with 21.7 billion a year earlier, a decline of 21.8%. This is comparable to the fall recorded in 2009 (-22.3%) during the financial crisis, which reduced the value of exports to their 2008 level. Following a historically poor second quarter (-61.6% compared with April-June 2019), the trend gradually recovered, resulting in just a 4.3% decline in the fourth quarter, in spite of the still highly unfavourable circumstances. The relative improvement in the situation was due almost entirely to China, which recovered sharply from June onwards (+50.1% in the second half of the year) because of domestic sales of goods that had previously been purchased abroad.

Swiss exports of watches

Exports of wristwatches were valued at 16.1 billion francs, a reduction of 21.4% compared with 2019. At the same time, the number of items exported fell by a third. Switzerland therefore shipped 13.8 million watches abroad, 6.9 million fewer (-33.3%) than the previous year.



Swiss watch exports (in billion francs)



Exports of wristwatches (in billion francs)

Exports by price range

Declines were seen in all price segments, by both value and number of items. Watches priced at less than 500 francs (export price) saw the sharpest declines, further accentuating the negative trend that has been seen for several years.

Exports by material

Steel watches, which represent over 60% of total volumes, set the tone in 2020. The value of exports of these watches declined by 20.2%, while the number of items fell by 31.8%. The decline was even more marked in the *Other materials* category, where volumes were cut by 43.3%.

Main markets

All the main regions were severely impacted by the decline in 2020. Asia accounted for 54% of Swiss watch exports by value and fell by 20.2% compared with 2019. Europe (-25.2%) was even more heavily affected and saw its market share decline to 29%. America, with a 15% share, recorded a 20.4% fall.

China proved an exception in 2020 and became the leading direct destination for Swiss watch exports. Less affected by the health crisis and with a very marked recovery in domestic purchases during the second half of the year, it was the only market to show growth (+20.0% compared with 2019). All the other main markets saw a very sharp decline. In Asia, Hong Kong posted one of the most negative performances across

the board, pushing it down to third place in the ranking of Swiss watch exports, after 12 years in first place. Among other Asian markets, Taiwan (-9.9%) held up better.

In Europe, France (-37.9%) and Italy (-33.3%) suffered particularly badly, while the United Kingdom (-24.6%) and Germany (-21.4%) were closer to the global average.

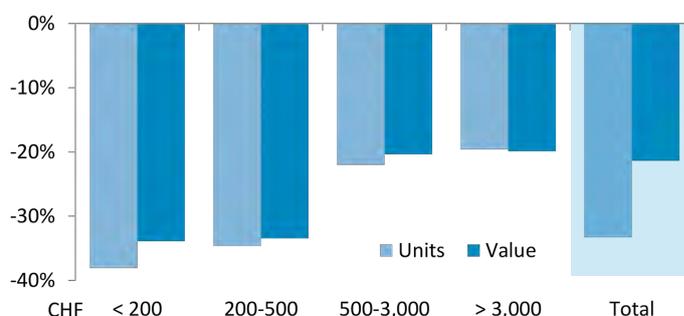
The United States (-17.5%), which absorbs 80% of watch exports to the continent, saw a slightly less marked decline than the world as a whole, given a stronger recovery in the third quarter.

Other exported products

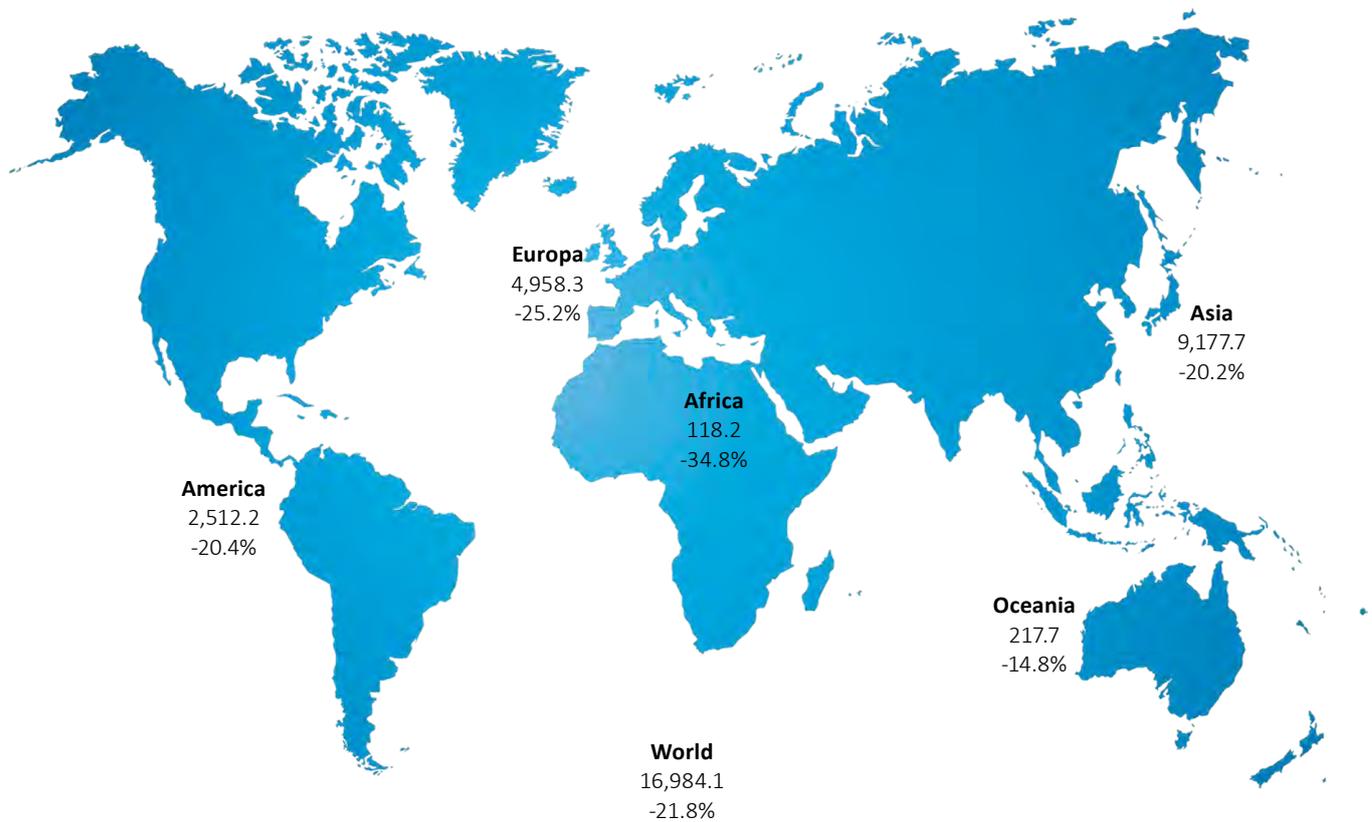
Other products exported by the Swiss watch industry in 2020 were valued at 860.4 million francs, a fall of 29.2% compared with 2019. These are mainly watch-parts (dials, hands and movement components) and movements, as well as finished products such as pocket watches, alarm clocks and other small and large clocks.

As with wristwatches, exports of movements fell by 18.7% by value and 35.9% by the number of items. Overall, watch-parts witnessed a 27.2% decline in export sales.

Exports of watch cases and straps are dependent on the finishing sector, which also suffered a marked slowdown.



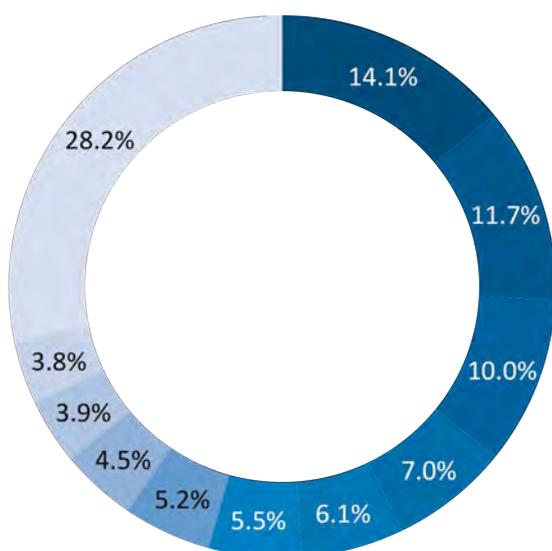
Exports by price segment (variation compared with 2019)



Total value of exports in 2020 (in million francs)

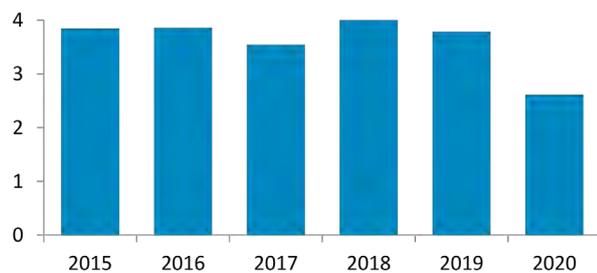
Watch imports

Swiss watch imports recorded a decline of 31.1% in 2020, to 2.6 billion francs. All products fell sharply, especially watches (-26.4%) and watch-parts (-25.7%).



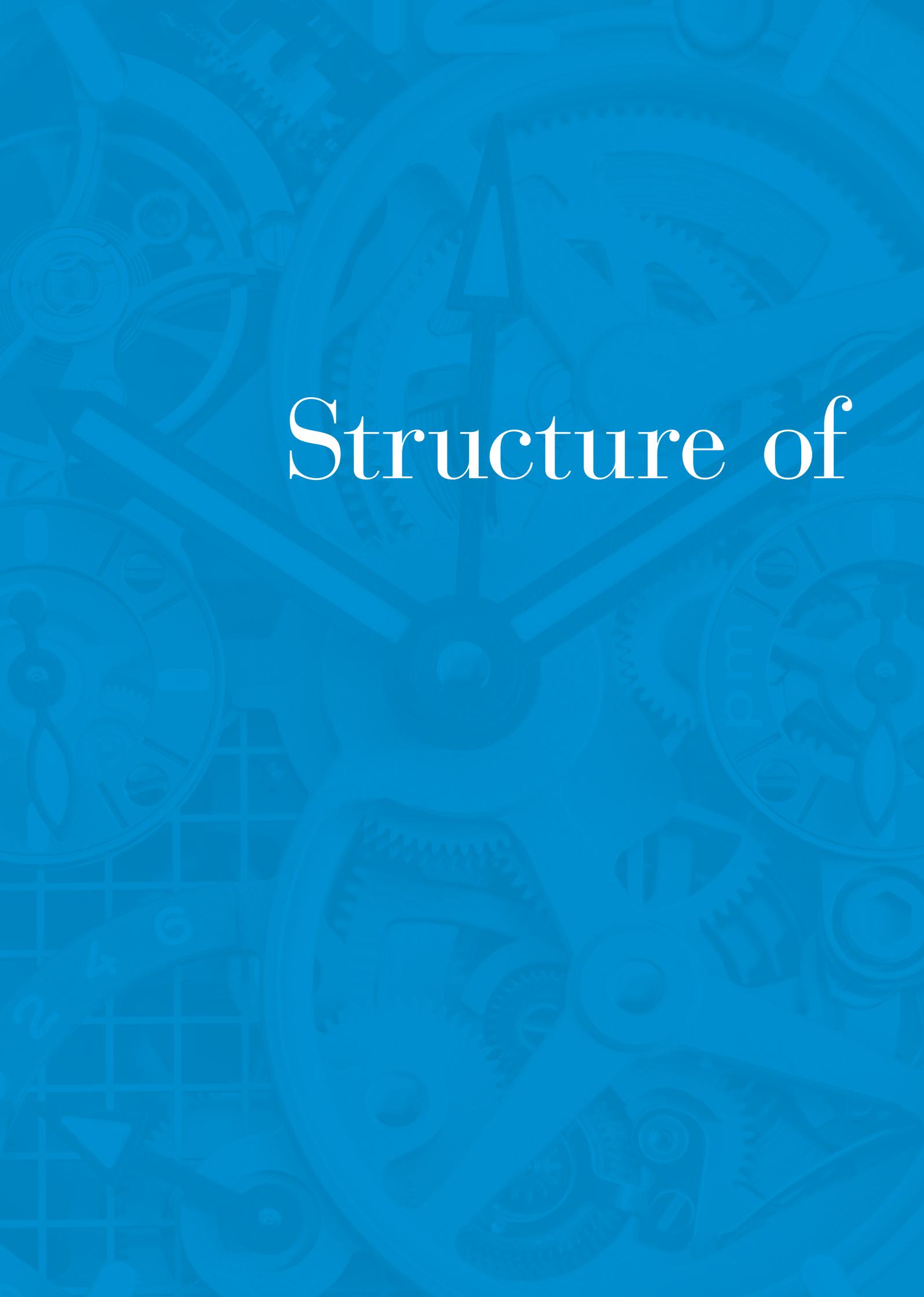
- China
- USA
- Hong Kong
- Japan
- United Kingdom
- Singapore
- Germany
- UAE
- France
- Italy
- Other markets

Main export markets in 2020



Swiss watch imports (in billion francs)





Structure of

the FH in 2020

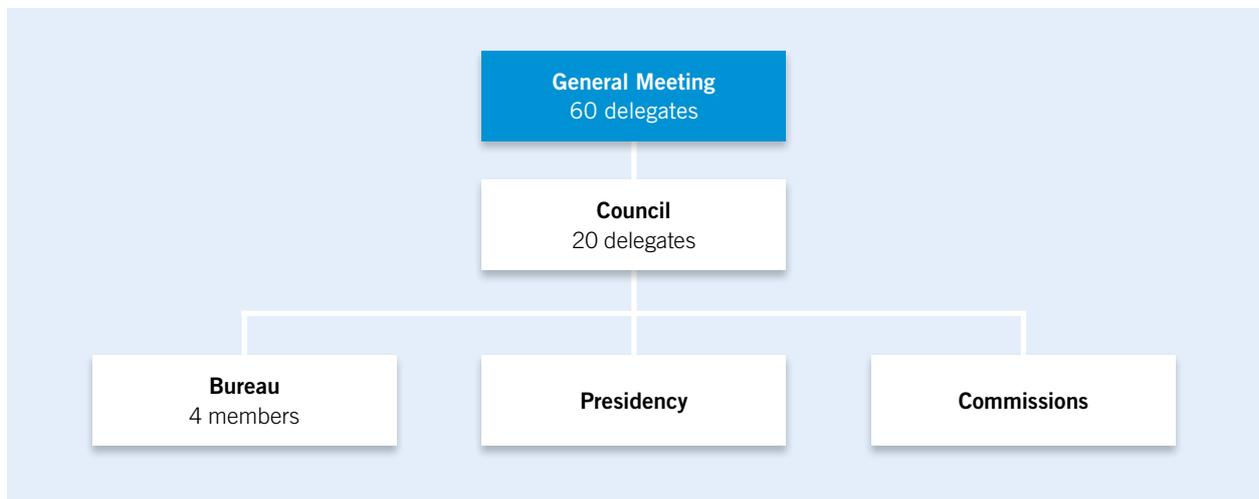
An organisation representative of the Swiss watch industry as a whole, the FH has the following main tasks and objectives: helping to defend and develop the sector, establishing a permanent link between its members in order to promote their shared interests, representing the Swiss watch industry in its dealings with Swiss and international economic authorities and organisations, asserting the interests of its members during consultation procedures preparing the ground for national and foreign legislations, defending its members' interests in the legal arena, and fighting actively against infringements of intellectual property rights and acts of unfair competition.



The FH in 2020

On 31st December 2020, the FH included 463 companies, associations and institutions (approximately 90% of the Swiss watch industry manufacturers), including 160 firms in the finished products sector. In terms of products, markets and

business size, the Swiss watch industry is characterised by its very great diversity. The FH is therefore structured with a view to harmonising the different interests of its members through the balanced composition of its statutory organs.



The General Meeting

Governing body of the association, the FH General Meeting comprises a maximum of 60 delegates totalling 60 votes. Lasting three years, terms of office are renewable.

The General Meeting takes decisions on issues submitted to it by the Board concerning the interests of the Swiss watch industry and the association's general policy; it elects mem-

bers to the Board, as well as the president of the association, and appoints the auditor; it discusses and approves the annual report and the accounts, as well as the scale of subscriptions.

On 31st December 2020, the FH General Meeting was composed of the following delegates (some with more than one vote):

Grégory Affolter

Pignons Affolter SA

Karlheinz Baumann

Richemont International SA

Denis Bolzli

Aéro Watch SA

Cédric Bossert

Richemont International SA

Patrick Brandelet

Joray & Wyss SA

Pascal Bratschi

Manufacture des Montres Rolex SA

Pierre-André Bühler

ETA SA Manufacture horlogère suisse

Jérôme Cavadini

Richemont International SA

Dino D'Aprile

Rubbattel & Weyermann SA

Pascal Dubois

Dubois Dépraz SA

Joris Engisch

Jean Singer & Cie SA

Christian Feuvrier

Nivarox-FAR SA

Arianna Frésard

Victorinox Swiss Army SA

David Guenin

Gimmel Rouages SA

Jean L. Guillod

Guillod-Günther SA

Philippe Gurtler

Rolex SA

Lars Kästle

Breitling SA

Thierry Kenel

The Swatch Group SA
(FH Vice President)

Aurélien Le Bigot

Zenith, Branch of
LVMH Swiss Manufacture SA

Giuseppe Maesano

Universo SA

Alain Marietta

Métalem SA

Pierre-André Meylan

Piguet Frères SA

Corine Neuenschwander

Neuenschwander SA

Marianne Pandiscia

Multitime Quartz SA

Jean-Daniel Pasche

FH President

Flavio Pellegrini

MGI Luxury Group SA

Sébastien Roche

TAG Heuer, Branch of
LVMH Swiss Manufactures SA

Alain Sierro

Fraporlux SA

Manuela Surdez

Goldec SA

Alberto Tellan

Manufacture des Montres Rolex SA

François Thiébaud

Tissot SA

Pierre Verdière

La Montre Hermès SA

Andreas Voll

IWC Schaffhausen,
Branch of Richemont International SA

Eric Yersin

Raymond Weil SA

Vladimiro Zennaro

Bergeon SA





The Board

Comprising twenty members elected for three years by the General Meeting, the FH Board, which meets four times a year, has the following main attributions: it defines the association's policy and monitors its application; it rules on the admission of members; it gives its opinion on issues to be submitted to the General Meeting and executes the latter's decisions; it elects the Bureau and appoints the vice-president(s); it appoints heads

of division and commission members; generally it assures a permanent link between members of the association, the authorities and third parties; it approves agreements concluded between the association and its members or third parties; etc.

On 31st December 2020 the Board was composed of the following members:

Raynald Aeschlimann

Omega SA

Karlheinz Baumann

Richemont International SA

Denis Bolzli

Aéro Watch SA

Cédric Bossert

Richemont International SA

Pierre-André Bühler

ETA SA Manufacture horlogère suisse

Christian Feuvrier

Nivarox-FAR SA

Arianna Frésard

Victorinox Swiss Army SA

Philippe Gurtler

Rolex SA

Thierry Kenel

The Swatch Group SA

Christian Klever

Breitling SA

Sébastien Lang

Louis Lang SA

Massimo Longo

Roventa-Henex SA

Alain Marietta

Métalem SA

Sébastien Roche

TAG Heuer, Branch of LVMH Swiss Manufactures SA

Alain Sierro

Fraporlux Swiss SA

Peter Steiger

The Swatch Group SA

Alberto Tellan

Manufacture des montres Rolex SA

Andreas Voll

IWC Schaffhausen, Branch of Richemont International SA

The Bureau and the Commissions

Comprising the president, the two vice-presidents and one or two members, the Bureau examines issues delegated to it by the Board and, exceptionally, questions of an urgent nature.

At the end of 2020, its composition was as follows:

Jean-Daniel Pasche

FH

Carole Décosterd

Rolex SA

Thierry Kenel

The Swatch Group SA

Alain Marietta

Métalem SA

The president of the Financial Commission is regularly invited to attend the Bureau's meetings.

The FH also has six permanent Commissions responsible for examining issues of general interest dealt with by the association.

The Commissions and their presidents:

Economic Commission

Thierry Kenel

Financial Commission

Pascal Bratschi

Legislative monitoring Commission

Olivier Blanc

Legal Affairs Commission

Jean-Daniel Pasche

Standardisation Committee

Silvano Freti

Anticounterfeiting Group

Jean-Daniel Pasche



The Divisions and the Departments

At 31 December 2020, the FH employed 32.5 full-time equivalent staff in Bienne (32.0 in 2019). Its organisation chart is as follows:



The network of partners

The FH would be nothing in the globalised world without a solid network of partners, which can be found both within and outside the sector on all five continents. Non-exhaustive, the list below provides a summary of this network.

Watchmaking partners

- ♦ All India Federation of Horological Industries
- ♦ American Watch Association (AWA)
- ♦ Association des fabricants de décolletages et de taillages (AFDT)
- ♦ Association patronale de l'horlogerie et de la microtechnique (APHM)
- ♦ Association patronale des industries de l'Arc-horloger apiah
- ♦ Association pour l'assurance qualité des fabricants de bracelets cuir (AQC)
- ♦ Association suisse pour la recherche horlogère (ASRH)
- ♦ Associazione Ticinese Industria Orologiera-ATIO
- ♦ Assorologi (Italy)
- ♦ BV Schmuck + Uhren (Germany)
- ♦ Centre suisse d'électronique et de microtechnique (CSEM)
- ♦ Centredoc Centre suisse de recherche, d'analyse et de synthèse d'information
- ♦ China Horologe Association
- ♦ Comité permanent de l'horlogerie européenne (CPHE)
- ♦ Contrôle officiel suisse des chronomètres (COSC)
- ♦ Convention patronale de l'industrie horlogère suisse (CP)
- ♦ Fédération de l'horlogerie (France)
- ♦ Fédération romande des consommateurs (FRC)
- ♦ Fondation de la Haute Horlogerie
- ♦ Fondation Qualité Fleurier
- ♦ Fondation WOSTEP
- ♦ France Horlogerie Industries du Temps et des microtechniques
- ♦ Hong Kong Watch Manufacturers Association
- ♦ Infosuisse Information horlogère et industrielle
- ♦ Japan Clock and Watch Association
- ♦ Japan Watch Importers' Association
- ♦ Joyex - Asociación Española de Fabricantes y/o Exportadores de Joyería, Platería y Relojería
- ♦ Korea Watch and Clock Industry Cooperative
- ♦ Société suisse de chronométrie (SSC)
- ♦ The Federation of Hong Kong Watch Trades & Industries Ltd
- ♦ Union des Fabricants d'Horlogerie de Genève, Vaud et Valais (UFGVV)
- ♦ Verband deutschschweizerischer Uhrenfabrikanten (VdU)

Federal administration

- ♦ Bureau central du contrôle des métaux précieux
- ♦ Commission des experts douaniers
- ♦ Direction générale des douanes (DGD)
- ♦ Swiss Federal Institute of Intellectual Property (IPI)
- ♦ Office fédéral de la santé publique (OFSP)
- ♦ Office fédéral de la sécurité alimentaire et des affaires vétérinaires (OSAV)
- ♦ Présence suisse
- ♦ State Secretariat for Economic Affairs SECO



Chambers of commerce

- ◆ Alliance of Swiss Chambers of Commerce
- ◆ Arab-Swiss Chamber of Commerce and Industry (CASCI)
- ◆ International Chamber of Commerce international (ICC)
- ◆ Swiss-Chinese Chamber of Commerce
- ◆ Swiss-Indian Chamber of Commerce
- ◆ Joint Chambers of Commerce (Russia, Ukraine, Kazakhstan, Belarus, Kyrgyzstan, Moldova)
- ◆ Swiss-Asian Chamber of Commerce
- ◆ Swiss Business Council Abu Dhabi
- ◆ Swiss Business Council Dubai
- ◆ Swiss Chamber of Commerce in Japan

Economic organisations

- ◆ BUSINESSEUROPE
- ◆ economiesuisse
- ◆ Switzerland Global Enterprise

Technical organisations

- ◆ Comité FRANCECLAT
- ◆ Ecole d'ingénieurs ARC
- ◆ International Electrical Committee (IEC)
- ◆ Tokyo Watch Technicum

Customs and police organisations

- ◆ Agenzia delle Dogane, Roma
- ◆ Commandement général de la Guardia Civil (Espagne)
- ◆ Commandement général de la Guardia di Finanza (Italie)
- ◆ Direction générale des douanes et Droits indirects de la République française
- ◆ Europol
- ◆ Federal Bureau of Investigation (FBI)
- ◆ Interpol
- ◆ Police cantonale de Neuchâtel
- ◆ Police cantonale du Jura
- ◆ U.S. Customs and Border Protection
- ◆ World Customs Organization

Organisations involved in standardisation

- ◆ Association française de normalisation (AFNOR)
- ◆ British Standards Institution (BSI)
- ◆ Bureau of Indian Standards (BIS)
- ◆ Comité européen de normalisation (CEN)
- ◆ Deutsches Institut für Normung (DIN)
- ◆ Federal Agency on Technical Regulating and Metrology (GOST R)
- ◆ International Organization for Standardization (ISO)
- ◆ Japanese Industrial Standards Committee (JISC)
- ◆ Korean Agency for Technology and Standards (KATS)
- ◆ Standardization Administration of China (SAC)
- ◆ Swiss Association for Standardization (SNV)

Anticounterfeiting organisations

- ♦ Anti-Counterfeiting Group (ACG)
- ♦ Brandowners Protection Group (Gulf Cooperation Council)
- ♦ Ecole des Sciences Criminelles, UNIL
- ♦ INDICAM - Associazione italiana per la Lotta alla Contraffazione
- ♦ STOP PIRACY – Plate-forme suisse de lutte contre la contrefaçon et la piraterie
- ♦ The Anti-Counterfeiting Network (REACT)
- ♦ Union des fabricants

Legal organisations

- ♦ Association internationale pour la protection de la propriété intellectuelle (AIPPI)
- ♦ Association suisse du droit de la concurrence
- ♦ Association suisse du droit européen
- ♦ Commission européenne, DG Environnement
- ♦ International Trademark Association (INTA)
- ♦ Ligue internationale du droit de la concurrence
- ♦ Organisation for an International Geographical Indications Network (Origin)





Fédération de l'industrie horlogère suisse FH
Verband der Schweizerischen Uhrenindustrie FH
Federation of the Swiss Watch Industry FH

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