

SwissHoldings Update

June 2022

Overview ([Clickable Titles](#))

Law Department	3
Competition Law	3
Revision of the Cartel Act	3
Corporate and Capital Market Law	4
Regulation of Loyalty Shares.....	4
Regulations Concerning Beneficial Owners (E.g. Central register) and Bearer Shares	4
Stock Exchange Equivalence - Extension of Stock Exchange Protection Measure and the Transition into Ordinary Laws.....	5
Article 24 FinMIOand the Self-Regulation Concerning the Stock Exchange	6
Revision of SER Regulations on Ad –hoc Publicity.....	7
Civil Procedure Law.....	7
Revision for the Code of Civil Procedure - Professional Secrecy Protection for In-house Counsel	7
Tax Department	9
Withholding Tax Reform	9
OECD/G20- Project on Taxation of Digitalized Economy	10
Department Of Economy	15
Trade and Investment Policy	15
Bilateral Relations Switzerland / EU	15
Abolishment of Industrial Tariffs	16
Free Trade Agreement	16
Investment Control.....	17
Investment Protection Agreement (ISA).....	17
Corporate Social Responsibility.....	18
Corporate Responsibility Initiatives	18
Developments at the EU Level	18
Collective Redress.....	19
Accounting and Reporting	20
IFRS Standards	20





Sustainable Finance & ESG-Reporting at the EU Level	20
Capital Markets.....	21
Exchange Equivalence - Extension of the Exchange and Protection Measure	21
Monetary Policy SNB.....	22

SwissHoldings, the association of industrial and service companies in Switzerland. It comprises of 61 of the largest groups in Switzerland, which together account for approximately 69 percent of the total market capitalization of the SIX Swiss Exchange. Our member companies employ around 1.6 million people globally, around 202,000 of whom work in Switzerland. Through the numerous service and supply contracts they award to SMEs, Switzerland's multinational companies employ - directly and indirectly - more than half of all employees in Switzerland.





Law Department

Competition Law

Revision of the Cartel Act

Current Status & Outlook

On November 24, 2021, the Federal Council opened a consultation on the partial revision of the Cartel Act (CartA). The core element of the partial revision is to modernize Swiss merger control. By changing from the current Qualified Market Dominance Test to the Significant Impediment to Effective Competition test (SIEC test); the review standards for the Competition Commission (ComCo) will be adapted to international practice according to the Federal Council. As a result, civil antitrust law and the opposition procedure are also to be improved. In addition, the Federal Council has included two demands within the partial revision of Motion 16.4094 Fournier calling for the "Improvement of the Situation of SMEs in Competition Proceedings". These two demands relate to the administrative proceedings under antitrust law. The first demand insists that the process should be accelerated by introducing time limits. The second includes that compensation be provided to the parties in the first instance proceedings; even before the competition commission is to be introduced.

Finally, the Federal Council makes a proposal for the implementation of the Français Motion adopted in June 2021 "The revision of the Cartel Act must take into account both qualitative and quantitative criteria to assess the inadmissibility of a competition agreement ". ([Link to media release and consultation documents](#)).

SwissHoldings participated in the consultation ([Link to consultation response](#)) and positions itself as follows:

- The bill needs to be substantially revised before it is adopted because of two important elements: the inclusion of an institutional reform and the absence for the consideration of compliance efforts in the sanction assessment. It is conceivable that a working group with various stakeholders under the leadership of the Federal Government will be established for this purpose. In this case, we consider it central that the interests of the large companies in particular are also represented in such a group via SwissHoldings.
- In taking up institutional reform, the goals considered in 2012 are to be pursued further. This relates in particular to a necessary improvement in the rule of law through the separation of investigation and decision-making.
- The consideration of compliance efforts in the assessment of sanctions could, for example, be included in the Cartel Act by way of an addition to



	<p>Article 49a para. 5 Draft-CartA and be structured analogously to the regulation in Germany.</p> <ul style="list-style-type: none"> - In our view, the introduction of the elements proposed in the preliminary draft - with the exception of the important implementation of the Motion Français - which includes having a subordinate role compared to the inclusion of institutional reform and the consideration of compliance efforts.
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Corporate and Capital Market Law

Regulation of Loyalty Shares

<p>Current Status & Outlook</p>	<p>In regards to the share revision, an introduction to so-called loyalty shares was under discussion; however, it was not adopted in the end. Instead, the Council of States submitted a postulate instructing the Federal Council to develop a report on the possible advantages and disadvantages. In addition, it would include the possible effects of the proposed regulations stipulated in the revision of the Stock Corporation Act. According to the postulate, the report should address a comparative legal description of possible implemented variants in Swiss stock corporation law and the extent to which action is needed in this area (cf. in detail the link to the postulate). This could lead to future regulations.</p> <p>In the context for the revision of stock corporation law: SwissHoldings had supported the original provision as "optional" and is continuing to follow all further developments.</p>
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Regulations Concerning Beneficial Owners (E.g. Central register) and Bearer Shares

<p>Current Status & Outlook</p>	<p>In the future, as has been the case in the past, regulatory efforts under stock corporation law are likely to arise in connection with the recommendations of the Global Forum on Transparency and Exchange of Information for Tax Purposes and the Financial Action Task Force on Money Laundering (FATF). Switzerland often regulates each case within national law to ensure that they comply and adopt many recommendations made by various international entities. In these areas, SwissHoldings' general concern is to ensure that Switzerland does not end up on blacklists with such entities because it does not sufficiently implement their recommendations. At the same time, unnecessary restrictions on the freedom of action as well as unnecessary bureaucracy for the (listed) companies must be avoided.</p>
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	<p>Currently, the following two developments should be noted in particular:</p> <ul style="list-style-type: none"> - Postulate 19.3634 and status report Global Forum (link Postulate): The postulate instructs the Federal Council to submit a status report by the end of 2021 on the implementation of Bill 18.082, "Implementation of the recommendations on the Global Forum on Transparency and Exchange of Information for Tax Purposes." If necessary, the Federal Council is to submit proposals for the amendments. The Federal Council published the status report on December 3, 2021 (link status report). In this report, it states, among other things, that international developments at FATF, EU and OECD level would show that an increased trend towards further tightening of corporate transparency obligations is underway. Consequently, Switzerland would in due course conduct an analysis of its national legislative bases and their effectiveness. As a result, this would implement appropriate options as an objective for the Federal Council's Financial Market Policy in the area of integrity and international positioning. - Revision of FATF Recommendation 24 on Transparency and Beneficial Owners of Legal Entities: This mainly concerns the topic of beneficial owners and possible introduction of a central register or an alternative mechanism for beneficial owners. In addition to the possible tightening of restrictions on bearer shares. The revision of Recommendation 24 at the international level has already been underway for some time. The FATF officially adopted the revised Recommendation on March 4, 2022 and will develop guidance on it by March 2023. The FATF held two public consultations on this in the summer and winter of 2021, in each of which SwissHoldings participated (see detailed link Statement for our position). Following the adoption of Recommendation 24 at the international level, work will now follow at the national level to implement the recommendations made at the international level.
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Stock Exchange Equivalence - Extension of Stock Exchange Protection Measure and the Transition into Ordinary Laws

<p>Current Status & Outlook</p>	<p>On 30 November 2018, the Federal Council issued an Ordinance directly based on Art. 184 para. 3 of the Swiss Federal Constitution to protect the Swiss stock exchange infrastructure (safeguard measure) after the European Commission had not extended Switzerland's EU stock exchange equivalence. The safeguard measure ensures that EU securities firms can continue to trade Swiss equities on Swiss trading venues even without EU stock exchange equivalence. The Federal Council's Ordinance on the stock exchange protection measure was set to expire on December 31, 2021, and can only be extended once by the Federal Council. After that, it must be converted into ordinary law in order to continue to apply.</p> <p>Since the EU has not yet extended the EU stock exchange equivalence, the Federal Council has now extended the Ordinance. Concurrently, it is proposing the transfer of the Ordinance on the protective measure to the Financial Market Infrastructure Act (FinMIA) (Link Media Release).</p> <p>SwissHoldings participated in the consultation process (link opinion) and essentially stated the following in its opinion:</p>
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	<ul style="list-style-type: none"> • We welcome the extension of the exchange protection measure and transfer to ordinary law. Our members would still prefer Plan A, exchange equivalence, and believe that Switzerland should continue to actively seek to obtain recognition of equivalence. In particular, it is important to note that the disadvantages of not obtaining recognition of equivalence could increase in the near future. However, as long as equivalence is not possible, our members are clearly in favor of extending Plan B, the exchange protection measure. • Sensible transfer to ordinary law without changing the content of the measure is very important. As a proven and tested tool and in the sense of maintaining a balance of the bill, we believe that the measure should be transferred to ordinary law as unchanged as possible. Accordingly, we welcome the fact that the bill essentially corresponds to the previous ordinance. • Time Limit to be Supported: Furthermore, we are also in favor of the time limit of five years provided for in the final provisions. We welcome the fact that this takes account of the exceptional and temporary nature of the recognition obligation.
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Article 24 FinMIO and the Self-Regulation Concerning the Stock Exchange

<p>Current Status</p>	<p>As part of the revision to the Ordinance on the Federal Act for the Adaptation into Federal Law; specifically pertaining to the Developments in the Technology of Distributed Electronic Registers. The Federal Council decided on a very problematic amendment to Article 24 FinMIO that was put into effect on August 1, 2021. Specifically, it calls for a complete independence over the management of the trading venue and a majority independence for participants and issuers. This would effectively mean the partial end of self-regulation by the Regulatory Board, as it would now have to be independent of the participants and issuers in terms of personnel and organization. The same would probably apply to the Issuers Committee.</p> <p>From SwissHoldings' point of view, the regulation is extremely problematic:</p> <p>Firstly, in terms of content: the self-regulation of the stock exchange is strongly anchored in the consciousness of the local banks and issuers to allow for sensible regulation. Consequently, issued by persons with the necessary practical experience and the corresponding expertise. This also leads to acceptance of the regulations. Secondly, it applies procedurally: it is extremely problematic if such far-reaching changes are adopted in an ordinance and not, for example, in a law, despite negative consultation results. Thematically, the Ordinance to the Federal Act on the Adaptation of Federal Law for Developments in the Technology of Distributed Electronic Registers is not necessarily the right place. Accordingly, it is central that a suitable solution is found here in the sense of the deletion of the adopted regulation.</p>
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Revision of SER Regulations on Ad –hoc Publicity

<p>Current Status / Outlook</p>	<p>In 2016 and 2020, the Six Exchange Regulation (SER) conducted consultations on the revision of the regulations for Ad hoc Publicity. The proposal contains various amendments to the listing rules, the Directive on Information relating to Corporate Governance and the Directive on Ad Hoc Publicity.</p> <p>SER (respectively the Regulatory Board of SER) has now published the various changes, in addition to a FAQ last year (cf. in detail the information on the page of SIX Exchange Regulation; link). The fundamental changes were put into effect on July 1, 2021. Further amendments on the new obligation to use the Connexor Reporting Platform to transmit Ad hoc Disclosures to SER have been implemented as of October 1, 2021 (with a transition period; cf. in detail Regulatory Board Communication No. 5/2021 of August 18, 2021; link). Finally, SER is currently revising the Guideline on the Directive on Ad hoc Publicity (DAH Guideline) and, according to SER, will be published on its website (link Guideline).</p> <p>SwissHoldings accompanies and supports the draft and advocates for the interests of its members.</p>
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Civil Procedure Law

Revision for the Code of Civil Procedure - Professional Secrecy Protection for In-house Counsel

<p>Current Status / Outlook</p>	<p>In 2018, a consultation on the amendment to the Code of Civil Procedure was carried out. It particularly concerned the dismantling of cost barriers, collective legal protection and the implementation of the parliamentary initiative Markwalder (16.409). Specifically, providing the right to testify and refuse to disclose in-house legal services employees. At the time, SwissHoldings participated in the consultation process and spoke out in favor of professional secrecy protection for in-house counsel (Link to Response). Bill 20.026 concerns the implementation of the parliamentary initiative Markwalder (16.409) for a right to testify and refuse to disclose in-house legal services employees. This is extremely important from SwissHoldings' point of view. It also concerns various amendments to the Code of Civil Procedure, which only marginally affects the members of SwissHoldings.</p> <p>The two chambers of Parliament have now discussed the bill. Although Parliament would like to tighten up the Federal Council's technically more convincing draft. However, the National Council deleted the problematic requirement of reciprocity introduced by the Council of States. The version decided by the National Council essentially states that in the case of commercial companies; a party may refuse to cooperate with the activities of its in-house legal service and does not have to hand over documents if the legal service is headed by a person who has been admitted to the bar and the activity in question would be considered profession-specific if performed by a lawyer.</p> <p>The bill is now in the procedure for the revision of differences. The decision of the National Council is the right step for strengthening Switzerland as a business location. The bill will go back to the Committee for Legal Affairs of the Council of</p>
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States and to the Council of States in the fall session of 2022 at the earliest, with the hope that the Council of States will support this compromise.

SwissHoldings has long been a very active and resolute advocate of professional secrecy protection for in-house lawyers - especially in the form according to the Federal Council or National Council.





Tax Department

Withholding Tax Reform

Current Status

Bonds issued directly by Swiss companies in Switzerland or abroad have the withholding tax deduction of 35% on the interest. International investors hardly ever buy bonds where only 65% of the interest is transferred immediately and the remaining 35% has to be reclaimed via a laborious and lengthy procedure. The current legal situation and the insignificant Swiss capital market have forced the larger Swiss companies to raise outside capital abroad. For this purpose, the Swiss companies have to establish subsidiaries abroad (usually finance companies) and issue bonds through them. In return, the Swiss parent company provides a guarantee to the foreign finance company. The funds raised are then passed on by the foreign finance company to the other operating subsidiaries. Swiss companies and thus Swiss jobs may only be marginally financed with funds from such foreign bonds.

The issuance of foreign bonds via foreign finance companies is becoming less and less accepted internationally (OECD BEPS). Individual countries perceive foreign finance companies with weak substance and view their guarantees with skepticism. It is to be expected that companies would have to strengthen the substance (personnel, functions, capital) within their foreign finance companies in the future.

The Federal Council addressed this issue with the publication of the dispatch on the withholding tax reform on debt capital interest in April 2021. This essentially states that in order to strengthen the Swiss debt capital market, then the levying of withholding tax on Swiss bonds is to be waived. In addition, the turnover tax on domestic bonds will also be abolished. The National Council and Council of States clearly approved the bill in the final vote in the 2021 winter session. While the bill was basically uncontroversial among representatives of the conservative parties; it was rejected right to the end by the Greens and the Social Democratic Party. Following the parliamentary process, these parties launched a referendum, which was held on April 27, 2022. The Swiss electorate will vote on the bill on September 25, 2022.

The withholding tax reform does not lead to any tax reductions for SwissHoldings member companies. It does, however, enable financing activities to be transferred to Switzerland from abroad; in particular from the Netherlands, Belgium and Luxembourg. The funds raised in Switzerland are then passed on by the Swiss company in the form of loans to the company's operating domestic and foreign subsidiaries. It goes without saying that there are definitely (taxable) profits associated with such activity.

The Stumbling Block of the Reform: The first communication on the referendum shows that the safeguard function of the withholding tax will remain the main point of contention regarding the reform, as it was in parliament. During the consultation draft, the Federal Council presented a proposal, in addition to economic growth, would also provide for a marked



	<p>improvement in tax protection and thus in the fight against tax evasion of capital income. At the same time, the proposal respected financial privacy and fiscal banking secrecy. Upon closer examination, however, it turned out that the proposal had significant technical flaws and loopholes. In addition, it would have entailed enormous processing costs.</p>
<p>Outlook</p>	<p>The elimination of withholding tax on debt financing activities is an important tax project for Switzerland as a business location. The reform is an opportunity to gain international attractiveness and to eliminate one of the most important disadvantages as a headquarters location.</p> <p>SwissHoldings emphatically supports the reform and will endeavor to communicate the advantages for the economy, but also for Switzerland as a whole, in the context of the vote.</p> <p>If the bill is approved in the referendum on September 25, 2022, it can hopefully enter into effect as early as January 1, 2023.</p>

OECD/G20- Project on Taxation of Digitalized Economy

<p>Current Status</p>	<p>The project for the taxation of the digitalized economy is based on two pillars and aims to adapt international corporate taxation. In Pillar 1, the hundred or so largest digital and other corporations, will pay tax on a larger share of their profits in the countries where they sell their products. This is done via the so-called Amount A. In Pillar 2, large corporations are to be subject to minimum taxation of 15% in all their operating states. The work is being led by the OECD Secretariat on behalf of the G7 and G20. The project is decided by the "OECD/G20 Inclusive Framework on BEPS" (IF), which comprises around 140 countries.</p> <p>On October 7-8, 2021, 136 of 140 IF countries adopted a statement with policy parameters on the two Pillars (IF Statement). These were officially endorsed by the G20 Finance Ministers on October 14.</p> <p>In December 2021, the Pillar 2 Model Rules were published (Link Model Rules) and in mid-March 2022, the long-awaited commentary on the Model Rules was published (Link Commentary GloBE Rules). However, as there are still numerous open questions and no agreement has been reached in important areas by the countries involved. These differences of opinion and the numerous detailed technical questions are to be resolved by the so-called Implementation Framework by the end of 2022. Whether this will be achieved by the end of the year is now widely in doubt. Accordingly, it is assumed that the vast majority of countries will not bring the Pillar 2 rules into effect by 2023 but more likely the beginning of 2024. The work on the technical details of Pillar 1 is currently being sent out for consultation by the OECD in the form of building blocks without having an overall picture or being able to comment on one. From the company's point of view, some of the initial technical plans appear to be very difficult or even impossible to implement.</p> <p>Global tax reform was given a boost in 2020 by the new US administration, which is pushing ahead with US reform in parallel. As part of this, the Biden Administration wants to increase corporate taxes in the USA and eliminate some business-friendly special rules (Build Back Better Act [BBB]) in order</p>
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to finance improvements to the US infrastructure and various new social projects. For the Biden Administration, global reform is likely to advance U.S. reform and steer it in the desired direction. For example, the U.S. has managed to eliminate the focus on digital corporations, which are important taxpayers for the U.S., from Amount A, and the digital service taxes planned by many countries (e.g., EU Digital Levy) or already introduced must be abolished. However, it seems uncertain whether the necessary majorities will be found in the U.S. Congress for the Biden Administration's plans. While also unlikely that Pillar 1 will be approved, as the USA will probably be granted special rules for Pillar 2. With GILTI, for example, the U.S. is to be allowed to apply a different minimum tax calculation system with different rules (minimum tax rate, tax base, etc.), some aspects of which still have to be adjusted in the course of the above-mentioned U.S. reform. According to the IF statement, it is still open whether (a reformed) GILTI will ultimately be considered equivalent. Currently, there are certain question marks in this regard due to statements by Treasury Secretary Yellen ([Yellen business tax credit statement](#)). Until the US midterm elections in the fall, the corresponding work in Congress on the reform of GILTI is likely to remain blocked. Despite various problems in the USA - and certain problems in the EU as well ([EU directive on minimum taxation](#)) - minimum taxation is likely to be implemented globally in the end.

Implementation in Switzerland:

On January 12, 2022, the Federal Council had decided how it wants to implement the rules of the OECD digital taxation. The proposal was to amend the Federal Constitution to include a competence standard for both Pillar 1 and Pillar 2 of the OECD project. So that the OECD minimum taxation (Pillar 2) can be implemented as quickly as possible in the interests of the treasury and companies, while transitional provisions are to be enacted in the constitution. Based on these, the Federal Council will adopt a directly applicable transitional ordinance, which will apply throughout Switzerland from January 1, 2024. The ordinance is subsequently to be replaced by a federal law as part of the ordinary legislative procedure.

As the international timeframe (entry into effect 2023/2024) is extremely demanding for the democratically distinct Swiss legislative process, the Federal Council's plans include various additional acceleration measures. Thus, the consultation on the constitutional provision already started in March and lasted until April 20 ([link consultation response SwissHoldings](#)). On June 23, the Federal Council will present the dispatch on the constitutional amendment to parliament. On June 27, the Committees for Economic Affairs and Taxation (WAK) of the Council of States started discussing the bill and held a hearing for this purpose. In the fall and winter session of 2022, the business will be dealt with and concluded by the federal councils. Finally, in June 2023, the mandatory referendum on the amendment of the Federal Constitution is to take place. In parallel to the constitutional referendum, the Federal Council is pressing ahead with work on the enactment of the Federal Council Ordinance on the Implementation of the OECD Minimum Tax. The consultation process is to be carried out in stages and will begin in August 2022. It is currently unclear how long this will take. If the constitutional amendment is approved by the Swiss electorate,



	<p>the (final) Federal Council Ordinance should be issued in the second half of 2023 and come into effect on January 1, 2024.</p> <p>In terms of content, the Federal Council's plans consider that the majority of the additional revenue from the OECD minimum taxation should go to the cantons (75% to the cantons, 25% to the Confederation). The cantons can decide sovereignly on their use of the funds. However, no comments can be made on the implementation of Pillar 1 at the present time.</p>
<p>Outlook</p>	<p>Within the IF Statement from October 2021, which has now been endorsed by countries such as Ireland. The OECD has taken a huge step forward in this project. Until recently, it seemed clear that the reform had overcome the main obstacles, that were primarily due to the latest developments in the USA. As a result, at the least a partial failure can no longer be ruled out. In any case, an agreement on Pillar 1 currently seems rather unlikely. For Pillar 2, at least a delay must be expected but it currently seems uncertain if a large number of countries will implement the IIR in 2023.</p> <p><u>Assessment of the Consequences for Switzerland and Further Action:</u></p> <p>Effects of Pillar 1: The requirements of the OECD's digital taxation project are not in Switzerland's interest. For example, Pillar 1 provides for a shift in the taxation of profits from large, profitable groups to the sales states. Those group companies that generate the highest value added, will be required to hand over the earnings. Switzerland is a business location where Swiss and foreign companies carry out activities with particularly high value added. As a result, Switzerland will have to relinquish significantly more tax substrate from domestic and foreign companies than other industrialized countries. At the same time, Switzerland is an insignificant sales market in global terms. It will therefore hardly be able to compensate for the aforementioned revenue shortfall with the new tax substrate that it receives as a market state. Overall, Switzerland is therefore likely to be one of the losers in Pillar 1.</p> <p>Effects of Pillar 2: The situation is similar for Pillar 2 (minimum taxation). Low taxes on profits are an important reason why international companies carry out activities with high value added and high profits in Switzerland. The low taxes partially compensate for the very high Swiss wages in international comparison. If other countries succeed in achieving the OECD's minimum tax rate of 15% with tax measures (e.g. patent box), Switzerland will lose the important location advantage for taxes. If other countries also have lower wages and other costs than Switzerland, in addition to whether they grant additional non-fiscal incentives, Switzerland will probably have a much tougher time competing internationally as a business location. At risk are the particularly lucrative value-added activities (research, management and other so-called principal functions). These activities are particularly lucrative not only for corporate profit taxes but also for personal income taxes (taxation of employees) and social security revenues (AHV, etc.).</p> <p>Implementation is Required: Nevertheless, it is imperative that Switzerland adopts the requirements of the OECD's digital taxation project. For example, if Switzerland were to refuse to implement the minimum taxation requirements, this would do more harm than good to the Swiss Economy and the Swiss Treasury. The additional tax substrate from minimum taxation</p>





would simply move abroad instead of into Switzerland and Swiss companies would be exposed to constant conflicts with foreign tax authorities.

The impact of OECD's digital taxation on Switzerland is therefore greater than generally assumed. If Switzerland does not take countermeasures and invest the additional tax revenues from Pillar 2 (minimum taxation) in location measures, it is likely to become less attractive. For international acceptance, however, it must be ensured that the cantons do not simply refund the additional revenues "tel quel" to the affected companies. This would be required by Swiss Constitutional Law, in order to prevent companies affected by the OECD minimum taxation from being treated less favorably than other Swiss companies. Such a refund is inadmissible under International Law and would also not be recognized by the new global minimum tax system. Since only internationally permissible measures can be considered for the globally active Swiss economy, the cantons must find other means. Furthermore, they must ensure that only internationally permissible measures are actually used by the authorities (control function) methods. Furthermore, they must ensure that only internationally permissible instruments are actually used by the authorities (control function).

Maintaining R&D Attractiveness: An important area for Switzerland is research. A patent box offers generally low tax rate and cantonal optional R&D deduction are tax measures that contribute substantially to international companies carrying out significant research and development activities in Switzerland. In the current iteration, tax incentives for research will only be possible to a very limited extent in the future due to the OECD's minimum taxation. Even in the Canton of Zurich, a patent box could in many cases lead to low effective taxation. Therefore, tax incentives for research should be adapted to meet the new international requirements. Permissible according to the OECD's guidelines is an R&D promotion that provides for a reduction of the tax amount and is independent of the amount of profit taxes (Art. 4.1.3 resp. definition "Qualified Refundable Tax Credit in Art. 10.1 of the Model Rules). In order to ensure that Switzerland does not lose ground internationally in terms of fiscal research promotion, OECD-compliant research promotion should be strongly expanded. Switzerland can learn a lot from other countries where such research funding is common practice (France, Austria, UK, etc.).

Preservation of other Value-Added Activities: Many Swiss companies affected by the OECD's minimum tax and large Swiss subsidiaries of foreign companies do not carry out research activities but typically focus on management, purchasing and other principal activities in Switzerland. Switzerland should also provide tools for them to continue their value-added-intensive activities here, while continuing to pay substantial profit taxes to the Swiss Tax Authority. Regarding this situation, there are many interesting solutions that exist in other foreign countries, which the cantons should not reject per se.

Aspects of Content: With regards to Swiss implementation, SwissHoldings is of the opinion that existing structures which have proven themselves over many years should not be adapted without necessity. Like the Federal Council, SwissHoldings is skeptical that the assessment of the minimum tax should be transferred from the cantons to the Federal Government. The assessment of the profit tax is the task of the cantons. The Confederation



exercises a supervisory function in the area of direct federal taxation. The cantons should therefore also be in the lead with regard to the minimum tax. The necessary cooperation between the cantons in the GloBE assessment should be ensured by a competence center. Since the defense of the assessments vis-à-vis other states is carried out by the Confederation (Federal Tax Administration or State Secretariat for International Financial Matters), the Confederation should also play an active role in the competence center. It is also important that the accounting specialists of the competence center start their work as early as possible in the beginning of 2023.

In a recommended proposal, the Federal Council will suggest for the reasons of international acceptance, that minimum tax (supplementary tax) should be a Federal Tax; which is correct. However, this should not lead to adjusting the existing constitutional mechanisms and distribution keys. Such adjustments could very quickly bring unintended negative consequences and endanger the high profit tax revenues of the Federal Government. According to the existing system, the additional revenues from the supplementary tax clearly and exclusively belongs to the cantons and not to the Confederation. This distribution is also factually correct, since the cantons could set the tax rates in such a way that no supplementary taxes, apart from absolutely exceptional years, could accrue to the benefit of the Confederation. In this context, those cantons should receive the additional revenues from the minimum tax on a pro rata basis, especially whose companies have also paid into it (eg. polluter-pays distribution). Only in this way can the affected cantons introduce new location measures, thereby preserving jobs and tax substrate in Switzerland; while also persevering Switzerland's tax sovereignty. Redistributions between the cantons must take place via the intercantonal financial equalization system. The fact that the cantons, via the Conference of Finance Directors, have already declared in their consultation response that they would leave up to 25% of the supplementary tax to the Confederation. Moreover, it is regrettable that the Federal Council is adopting this proposal against this background and, in the medium to long term, dangerous for the Confederation's high profit tax revenues of currently CHF 12 billion.

In general, the following aspects are central to Swiss implementation:

- International acceptance
- Simple legislative and administrative implementation
- Securing the attractiveness of the cantons as business locations
- Compliance with international timelines
- High flexibility
- Recognition of minimum taxation, particularly from a U.S. tax perspective



Department Of Economy

Trade and Investment Policy

Bilateral Relations Switzerland / EU

<p>Current Status</p>	<p>The European Union (EU) is by far Switzerland's most important trading partner. At the same time, Switzerland is also one of the EU's largest export and import markets. Accordingly, the relationship between Switzerland and the EU is very important to the Swiss economy. As a result, Switzerland is pursuing a bilateral path, starting with the free trade agreement in 1972, Switzerland has established a dense and constantly evolving network of agreements with the association of states. Particularly significant are the Bilateral I and II agreements, which grant the contracting parties non-discriminatory access to each other's markets and establish close cooperation in various areas between Switzerland and the EU. This bilateral approach has brought numerous benefits to our country.</p> <p>However, the EU has made further developments on the network of agreements that are conditional upon clarification of the institutional framework. Based on this demand, a draft agreement was drawn up between 2014 and 2018. In a meeting on 26 May 2021, the Federal Council decided not to sign the Institutional Framework Agreement and to terminate the negotiations with the EU; as various substantial differences could not be resolved.</p> <p>Nevertheless, the Federal Council would like to continue bilateral cooperation. At the end of February, the Federal Government adopted basic guidelines for a new negotiation package with the EU. The body wants to regulate contentious issues such as; the dynamic adoption of law, dispute settlement and exceptions, as well as safeguard clauses on a sectoral basis. specifically relating to the future rather than on an overarching basis. Other possible parts of the package include new internal market agreements and the continuation of Switzerland's cohesion contribution. The Federal Council plans to begin initial exploratory talks with the EU on the new treaty package in the near future.</p>
<p>Outlook</p>	<p>Stable and expanded relations between the European Union and Switzerland are essential for both sides. For the foreseeable future, the EU member states will remain extremely important trading partners for the strongly export-oriented Swiss economy for the foreseeable future. It must therefore remain a priority goal that the bilateral path can be successfully preserved.</p> <p>SwissHoldings welcomes the fact that the Federal Council is endeavoring to ensure that the bilateral agreements are applied as smoothly as possible, even without the conclusion of the InstA. From the association's point of view, it is also important to consider all possibilities that Switzerland can implement</p>





	unilaterally to strengthen the framework conditions, in order to ensure the competitiveness of our country.
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Abolishment of Industrial Tariffs

<p>Current Status</p>	<p>The bill to revise the Customs Tariff Act is intended to set customs duties on industrial products to zero. For the purposes of this bill, the term "Industrial Products" covers all goods with the exception of both agricultural (including animal feed) and fishery products. In addition to eliminating tariffs, the bill also seeks to simplify the tariff structure for industrial products. The planned simplification of the tariff structure will reduce the number of tariffs in the industrial sector from 6172 today to 4592. The bill is part of the "Import Facilitation" package of measures in the fight against Switzerland as a high-price island.</p> <p>The National Council and Council of States approved the bill in the final vote on October 1, 2021 (final vote text). After the referendum deadline of January 20, 2022 passed without action, the Federal Council decided that it would be put into effect as of January 1, 2024.</p>
<p>Outlook</p>	<p>Our association welcomes the decision of Parliament to adopt the amendment and will accompany the technical implementation of the industrial tariff dismantling.</p>

Free Trade Agreement

<p>Current Status</p>	<p>The Swiss Economy has a strong global orientation and is therefore dependent on cross-border trade and international investment activities. Thus, the constant improvement of access to foreign markets was and is a focus of Swiss foreign policy. This is done, amongst other channels, through free trade agreements with third parties. In addition to the EFTA Convention and the free trade agreement with the European Union (EU), Switzerland has a network of 33 free trade agreements with 43 partners worldwide. Therefore, in association with the other EFTA states, Switzerland is currently negotiating free trade agreements with seven new partner states: namely India, Kosovo, Malaysia, Mercosur, Moldova, Thailand and Vietnam, as well as the modernization of various existing agreements.</p>
<p>Outlook</p>	<p>Especially against the backdrop of trade conflicts, the blockade of the World Trade Organization (WTO), growing protectionism and the expansion of free trade agreements, it is very important for the export-oriented Swiss economy and the member companies of SwissHoldings.</p> <p>Concerns are being increasingly expressed regarding sustainable development in connection with global trade. Of course, SwissHoldings recognizes and supports the claim that sustainability aspects are deservedly taken into account within the considerations of free trade agreements. The chapter on "Sustainability and Trade" provides a solid foundation for promoting sustainable development. Moreover, it should not be neglected that intensified trade relations are an important factor in promoting sustainable development. In addition to significant economic aspects, the improvement of</p>





	<p>the labor market and, as a result: social progress, knowledge and technology transfer also play an important role.</p> <p>SwissHoldings will continue to advocate for the important expansion of the Swiss network of free trade agreements.</p>
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Investment Control

Current Status	<p>In Switzerland, the question is currently being discussed on whether foreign direct investment within Swiss companies poses a threat to Switzerland overall.</p> <p>The Federal Council has dealt with this issue in detail within the context of the report "Cross-border Investments and Investment Controls" and has come to the conclusion that the introduction of regulatory control for direct investments would not bring any added value at the present time. Notwithstanding, both councils have voted in favor of the Rieder Motion. Whereby mandating that the Federal Council draft a bill for investment control of foreign direct investment in Swiss companies</p> <p>The Federal Council opened the consultation process for an investment audit law on May 18, 2022. Potential threats are <u>expected</u> above all for <u>investors with a state affiliation. Accordingly, takeovers by foreign state investors or investors close to the state are to be subject to approval in all sectors</u>. In addition, the law defines the particularly critical areas in which all foreign investors - both state and private - are to be subject to approval. On the other hand, small companies are to be generally exempt.</p>
Outlook	<p>Switzerland is one of the largest direct investors in the world. It is therefore a primary concern of SwissHoldings that investment activity is maintained and that Switzerland is not weakened as an investment location. SwissHoldings will actively accompany the preparation of the concrete draft law. Confidence in Switzerland as an open - but already non barrier-free - investment location and in liberal economic policy must be maintained.</p>

Investment Protection Agreement (ISA)

Current Status	<p>Switzerland has a total network of 111 bilateral investment protection agreements (ISA). According to UNCTAD, Switzerland has the third-largest network of such agreements in the world after Germany and China. By concluding ISAs, Switzerland improves the framework conditions and thus its attractiveness as a location for international investments. Due to a change in practice by the Federal Council, ISAs are now subject to an optional state treaty referendum; in addition to free trade agreements. The first ISA to be subject to consultation is the new ISA with Indonesia. The agreement closes the contractual gap that existed since the previous agreement expired in 2016.</p>
Outlook	<p>SwissHoldings will actively participate in the consultation process to point out the great importance of ISA, international arbitration for Swiss companies and Switzerland as a business location. (The consultation period will last until September 26, 2022).</p>





Corporate Social Responsibility

Corporate Responsibility Initiatives

<p>Current Status</p>	<p>The popular initiative was rejected at the ballot box on November 29, 2020. This paved the way for an indirect counter-proposal. The Federal Council presented the ordinance on the indirect counter-proposal on December 3, 2021. The new obligations were based on the EU regulations and in some cases go beyond them. The law will come into effect as early as January 1, 2022. This means that Swiss companies will have to report in accordance with the new rules for the first time, as of the 2023 financial year.</p> <p>At the beginning of 2021, the Federal Council announced that a draft would be prepared to make the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD) binding for Swiss companies from all economic sectors. However, the counter-proposal to the Corporate Responsibility Initiative (CCI) also introduces provisions on disclosure on non-financial matters, including environmental matters (in particular on CO2). In order to avoid duplication, the TCFD recommendations are to be implemented within the framework of an executive order on the counter-proposal UVI. The implementation ordinance is to be understood as the actual "third pillar" of the counter-proposal.</p>
<p>Outlook</p>	<p>The new obligations associated with the implementation of the counterproposal are challenging, especially in the area of child labor. The association will support the implementation work of the member companies as far as possible and offer a platform for the exchange of expertise.</p> <p>In addition, the association will actively participate in the consultation for reporting on climate issues (consultation deadline: July 7, 2022)</p>

Developments at the EU Level

<p>Current Status</p>	<p>Currently, the European Commission is dealing with a possible regulation in the area of sustainable corporate governance and related due diligence. On February 23, 2022, it published a proposal for a directive on corporate sustainability due diligence. Among other things, the EU Commission is considering making changes to Company Law. Specifically, the aim is to define corporate interest under European law, taking sustainability criteria into account. Another focus of the initiative is the implementation of corporate due diligence obligations within global supply chains. The proposal still has to go through the legislative process but it will first be discussed in the European Parliament and the Council. If adopted, member states will be required to transpose the directive into national law within two years of its implementation.</p>
<p>Outlook</p>	<p>According to the current proposal, the directive is also to apply to non-EU companies that achieved sales of more than EUR 150 million (net) within the EU including the fiscal year before last respectively.</p> <p>While it will be EUR 40 million (net) in the EU, provided that more than half of the global sales were generated in "high-impact sectors". High-impact sectors" include among others: the textile sector, the food sector, agriculture,</p>





fisheries, forestry, the extraction of mineral resources, the production of base metal products, various other non-metallic mineral products, and the wholesale of raw materials, base and intermediate minerals.

Collective Redress

<p>Current Status</p>	<p>On December 10, 2021, the Federal Council presented and passed the class action bill for the attention of Parliament (Business 21.082). The bill provides that: i) the existing class action would be expanded, ii) a new class action for the assertion of compensation claims would be created, and iii) a new possibility of settlements declared binding by the courts would also be provided for. From SwissHoldings' point of view, the project is not ready for parliamentary discussion. The proposal is largely based on the state of development and knowledge in 2014, when Parliament called on the Federal Council to examine the introduction of "Collective Settlement" instruments for Switzerland in the Birrer-Heimo Motion. Since then, significant developments have occurred that are not taken into account in the Federal Council's proposal. Recent developments have shown that the introduction of such new legal instruments in EU Member States (based on the Fehler! Linkreferenz ungültig.) has led to considerable difficulties and was misused in various abusive forms. Therefore, it has become apparent that the real disadvantages of class action methods cannot be remedied.</p> <p>In all countries where lawsuits against companies are economically viable (such as Germany, the Netherlands, and also Switzerland). The new possibilities for legal action have directly resulted in the establishment and constant expansion of a professional lawsuit industry.</p>
<p>Outlook</p>	<p>The National Council is the first parliamentary body to discuss the class action bill. The associated Legal Committee of the National Council (RK-N) began preliminary deliberations on the matter at its meeting between the 19th and 20th of May 2022. At this meeting, SwissHoldings presented the position of the business community together with the umbrella organization Economiesuisse. The debate on whether to approve the bill was held by the committee on June 23, 2022. The committee decided to mandate the federal government to carry out further clarifications on the so-called "class action bill". The decision to enter into consultation on the bill was postponed. SwissHoldings welcomes this decision. The proposal is not yet ready for political discussion.</p> <p>SwissHoldings is clearly opposed to the bill and the introduction of collective redress instruments in Switzerland.</p>



Accounting and Reporting

IFRS Standards

<p>Current Status</p>	<p>At the level of financial reporting, the "Standard Setting" processes are currently a little quieter. The IASB has not published any amendment resolutions or draft standard revisions in recent weeks. The primary reason for this is that the Board is currently evaluating the new work plan for the next four years. On the other hand, in the area of sustainability reporting, important decisions have recently been made. The Board "ISSB" of the IFRS Foundation has officially started its activities at its designated headquarters in Frankfurt and has also published the first two drafts of their future standards.</p>
<p>Outlook</p>	<p>SwissHoldings will continue to actively follow and participate in relevant consultations regarding the work of the IFRS Foundation in both areas of financial reporting and sustainability reporting.</p>

Sustainable Finance & ESG-Reporting at the EU Level

<p>Current Status</p>	<p>At the EU level, the topic of sustainability is at the center of public discussion. In the context of this discussion, the European Commission has become active through various initiatives.</p> <p>In the EU, the Action Plan for Financing Sustainable Growth was adopted in 2020, which forms the basis of several legislative initiatives. This would also include the Taxonomy Regulation, which is particularly relevant for preparers. With the introduction of the Taxonomy in the future, companies will have to classify all their business activities in a classification scheme to determine the "green character" of their economic activity. In this context, the share of sales, the share with regards to investments ("CapEx") and the shares referring to operating expenses ("OpEx") must be disclosed separately. In addition, all these activities must be evaluated in relation to minimum social criteria.</p> <p>The action plan also includes a proposal for a Corporate Sustainability Reporting Directive (CSRD) to replace the existing Nonfinancial Reporting Directive (NFRD). The core element of the CSRD is that reporting will no longer be based on an internationally accepted standard such as GRI, but on a new European standard, yet to be designed. Other significant changes relate to a significant expansion of the required report content such as: forward-looking elements and information on intangible assets; as well as the principle that all information must be made available via a digital reporting structure.</p> <p><u>SwissHoldings member companies with larger establishments in the EU area are likely to be directly covered by both of these regulatory measures. (The concrete scope of the application is still subject to ongoing negotiations but it is likely to include: the core data of 20 million total assets, 40 million turnover and 250 employees over the medium time period) In addition, it is currently being discussed whether the provisions should, in principle, be extended to all larger companies that are based outside the EU but export goods and services to the EU area.</u></p>
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<p>Outlook</p>	<p>SwissHoldings sees the current initiatives for greater standardization in the area of Sustainable Finance and ESG Reporting in principle positive. A more aligned framework for non-financial reporting helps to create clarity and trust between investors and preparers. For the association, however, it remains central that sustainability data must always be placed in a comprehensible context with business strategy and financial reporting in the future - whereby the criteria of relevance, feasibility and cost/benefit ratio should always also apply to transparency requirements.</p> <p>While the EU's ambitious plans offer opportunities for sustainability-oriented investors and companies, they also harbor the risk of disproportionate market intervention. The newly envisaged transparency and disclosure requirements for companies in the area of ESG are high and threaten to overwhelm many market players.</p> <p>SwissHoldings is monitoring ongoing developments and continues to accompany the business, particularly within the framework of the working group of umbrella organizations at the European level.</p>
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Capital Markets

Exchange Equivalence - Extension of the Exchange and Protection Measure

<p>Current Status</p>	<p>The EU granted Switzerland stock exchange equivalence only until the end of June 2019, but then did not extend it. For this reason, Switzerland activated the measure to protect the Swiss stock exchange infrastructure on July 1, 2019. Since January 1, 2019, foreign trading venues are subject to a recognition obligation, whereby they should admit certain shares of Swiss companies to trading or enable trading of such shares (see also link).</p> <p>At its meeting on June 22, 2022, the Federal Council adopted a proposal to transfer the provisional measure to protect the Swiss stock exchange into ordinary law. This step is necessary because this measure will otherwise cease to apply and the European Union (EU) has not yet recognized Swiss stock exchange regulation as equivalent. With this bill, the Federal Council wants to continue to avoid negative effects that threaten Switzerland as a stock exchange, financial and business location due to the lack of stock exchange equivalence in the EU. However, the Federal Council is still convinced that Switzerland meets all the requirements for the unrestricted recognition of the equivalence of Swiss stock exchange regulation by the EU. Consequently, the Federal Council's goal remains unlimited stock exchange equivalence.</p> <p>The Federal Parliament is expected to deal with the bill for the first time in the second half of 2022.</p>
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Outlook	SwissHoldings closely monitors the project and will also engage in the parliamentary debate on this issue.
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Monetary Policy SNB

Current Status	In today's extraordinary times, the Swiss National Bank (SNB) is increasingly in the spotlight. At the parliamentary level, various proposals have been discussed with the aim of tying the SNB's distributions to certain purposes. In addition, concerns have recently been raised calling for a reform of the SNB's governance structure.
Outlook	SwissHoldings will closely follow the ongoing developments and from our perspective the SNB's distribution practice to date has proven its worth. The organization is critical of a "politicization" or further earmarking of the SNB's profits.

