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SwissHoldings Update

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Law Department

Revision of the Cartel Act

| Current Status & Outlook | **Antitrust Law Revision**

On November 24, 2021, the Federal Council opened a consultation on the partial revision of the Cartel Act (KG). The corresponding preliminary draft proposed various changes regarding merger control. Specifically, it involved a change from the current Qualified Market Dominance test to the Significant Impediment to Effective Competition test (SIEC test). Additionally, regulations in the area of Civil Antitrust Law were added, and the preliminary draft included changes in the area of opposition proceedings. The Federal Council also incorporated two demands from the current Qualified Market Dominance test to the Significant Impediment to Effective Competition test (SIEC test). One of these demands was Motion 16.4094 Fournier, which aimed to improve the situation of SMEs in competition proceedings by introducing deadlines and party compensation for the first instance proceedings before the Competition Commission. Finally, the preliminary draft included a proposal for implementing the Motion Français, adopted in June 2021: "the revision of the Cartel Act must consider both qualitative and quantitative criteria to assess the inadmissibility of a competition agreement." (link media release and consultation documents).

SwissHoldings participated in the consultation (link consultation response) and positioned itself as follows:

- The bill needs to be substantially revised because important elements, namely the inclusion of an institutional reform and the consideration of compliance efforts in the assessment of sanctions were missing. These must find their way into the revision work.
- Regarding institutional reform, the goals of the institutional reform considered in 2012 are to be pursued. 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 Art. 49a para. 5 VE-KG and be structured similarly to the regulation in Germany.
- The introduction of the elements proposed in the preliminary draft are proposed in the preliminary draft - with the exception of the important implementation of the Motion Français - which have, in our view, a subordinate role compared to the inclusion of institutional reform and the consideration of compliance efforts.

A Proposal for Institutional Reform and a Bill for a Minor Revision of the Antitrust Law:

On March 17, 2023, the Federal Council instructed the Federal Department of Economic Affairs, Education and Research (EAER) to submit a dispatch on the partial revision of the Cartel Act (KG) by mid-2023, which was completed on May 24, 2023 (see link to media release incl. dispatch and draft). Furthermore, the Federal Council has instructed the EAER to submit a concrete proposal for institutional reform to the Federal Council in parallel |

	in the first quarter of 2024 (link to media release and documents). A group of experts has been set up for this purpose. **SwissHoldings very much welcomes the fact that institutional reform, as one of our central concerns, will now become part of the revision work.** **SwissHoldings was approached by the group of experts during the summer months for a written statement on the proposed revision and was subsequently consulted by the group.** **At the same time, the WAK-S decided in August to accept the bill for the partial revision: It will begin its deliberations in mid-October. SwissHoldings has sent its concerns to the members of the WAK-S in the run-up to the debate for the bill to be entered into force, and will now once again intensify its efforts to introduce these concerns before the actual debate**.

Tax Department

OECD/G20 Project on Taxation of the Digitalized Economy

Current Status	The project on the taxation of the digitalized economy is based on two pillars and is intended to improve the acceptance of international corporate taxation. The work is being carried out by the OECD Secretariat on behalf of the G7 and G20. The administrative representatives of the countries involved are, of course, participating in the development of the new rules. The new tax rules will be formally adopted (currently) by the 143-state "OECD/G20 Inclusive Framework on BEPS" (IF). On October 7-8, 2021, 136 of (then) 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, 2021. We have reported on the exact parameters in past updates (link past updates). Pillar 1 (taxation in the market states) Pillar 1 provides for the very largest international corporations (100-200 corporations) to pay a higher proportion of their profits in the countries where they sell their products. The focus is particularly on digital groups such as Google, Facebook and Apple, some of which pay hardly any tax on profits in their home countries. However, a large number of traditional industrial companies are also affected, as they already pay high taxes in their home countries and have corporate tax rates of 25 to 30 percent. In 2023, intensive work was carried out on Pillar 1, so that a completed Pillar 1 implementation package, including a multilateral convention, should be presented to the member states before the end of the year. At present, a number of technical points still need to be clarified for Pillar 1 to be implemented globally at all. However, a critical mass of countries must ratify the multilateral convention. The decisive factor will be whether the USA must ratify the convention. Half of the companies affected by Pillar 1 have their headquarters in the USA. Without US ratification, the planned redistribution from headquarters to market states cannot be implemented. Ratification requires a 2/3 majority in the US Senate. However, there is strong opposition from both Republicans and Democrats. Therefore, experts believe that Pillar 1 will never find a political majority in the USA. If Pillar 1 is not implemented, this is likely to boost the UN's efforts. Pillar 2 (OECD minimum tax) Project Pillar 2 requires large companies (with minimum sales of EUR 750 million) to pay at least 15 percent tax on their profits per country in each country where they operate. The determination of profits is not based on the widely diverging tax regulations of the individual countries but on international accounting standards (e.g. IFRS, US GAAP, etc.), which are authoritative for published consolidated financial statements. This approach results in much smaller differences in profit determination from one country to another, thanks to the so-called "true and fair view principle". Additionally,

the new international set of rules, known as the GloBE rules, includes various corrections, such as those related to participations or deferred taxes.

The minimum tax levied in accordance with the international standard for the country's own territory is now referred to as Qualified Domestic Minimum Tax (QDMTT), or in Switzerland, the Swiss Supplementary Tax. If a state does not implement the new minimum taxation rules, the state of the parent company (referred to as the Income Inclusion Rule or IIR) or of the subsidiaries (referred to as the Undertaxed Profits Rule or UTPR) will tax the difference between the effective tax rate (e.g. 13%) and the minimum tax rate (15%) reported by the company for a particular state.

For global implementation of minimum taxation, the IIR and the UTPR must apply universally. If all subsidiaries can be covered by the IIR and all parent companies of a group structure can be covered by the UTPR, it becomes financially disadvantageous for states to refrain from implementing the minimum taxation. Not implementing minimum taxation would, at most, result in the aforementioned tax difference being collected by another state. To minimize the financial damage, a state must at least implement a QDMTT. However, if the IIR and the UTPR only apply to a limited extent, states and companies can selectively limit the territorial scope of the minimum taxation. This approach allows states that do not implement minimum taxation to enhance their attractiveness as a location, and companies can reduce their tax burden.

In December 2021, the Pillar 2 Model Rules were published (Link Model Rules). Then, in mid-March 2022, the Commentary to the GloBE Model Rules was published (Link Commentary GloBE Rules). Since then, a significant number of application questions have arisen. As a result, the so-called Implementation Framework regularly issues new detailed technical specifications, such as Administrative Guidance. However, these detailed specifications sometimes introduce adaptations to the commentary, and in some cases, they even contradict the model rules that were published in December 2021. With such constantly changing rules, correct implementation becomes extremely challenging, if not impossible, for the companies involved and for the countries participating.

Various parts of the Administrative Guidance were published in December 2022, February and July 2023. Particularly important were the requirements for the Transitional CbCR Safe Harbour, which aims to somewhat reduce the administrative burden on the companies concerned in the initial years (2024 - 2026). In mid-July 2023, the Implementation Framework published further crucial detailed specifications, including the GloBE Information Return (GIR) and various Administrative Guidances, along with two new safe harbors, (QDMTT Safe Harbour and Transitional UTPR Safe Harbour). The Transitional UTPR Safe Harbour is of particular significance, having been adopted, in part, due to pressure from the USA. It provides a temporary exception from the scope of application of the UTPR.

However, many specifications crucial for correct implementation are still pending. Optimists hope that the implementation rules will be complete by the end of 2023. Given ongoing disagreements among various states on politically sensitive issues, further delays must be expected.

Minimum Tax Developments in the USA

Not only Project Pillar 1, but also Project Pillar 2, is encountering significant resistance in the USA and is unlikely to be implemented in the foreseeable future. While the Biden Administration continues to influence the rules, the

US Congress vehemently opposes the introduction of the OECD minimum taxation.

Following the publication of the Supplementary Guidance to the OECD Model Rules in February 2023 and the shift to a Republican majority in the U.S. House of Representatives after the midterm elections in the fall of 2022, negative rhetoric against Pillar 2 has intensified in the United States. In particular, concerns about UTPR have become a major point of criticism. Members of the Republican House and Senate have issued several letters and opinion pieces calling for a comprehensive overhaul of the UTPR mechanism and threatening retaliatory action if these changes are not made. In May 2023, all Republicans on the House Tax Committee introduced a bill that would impose additional taxes on individuals and businesses located in countries that apply the UTPR. Republicans in the House of Representatives have also proposed to completely eliminate funding for the OECD due to its involvement in drafting the problematic Pillar 2 rules as part of their fiscal year 2023-2024 government spending bill. It is unlikely that this retaliation bill or the full elimination of OECD funding will pass in this Congress, but it foreshadows what could happen if Republicans win a majority in both chambers of Congress and the presidency in the 2024 U.S. elections. Currently, there are clear tensions with the Democratic administration negotiating in the OECD talks.

In addition to these tensions over the UTPR, the Congressional Joint Committee on Taxation has calculated the impact of Pillar 2 under various scenarios. These calculations predict that if all remaining countries in the Inclusive Framework enacted Pillar 2 rules in 2024, while the U.S. enacted them in 2025 (the most likely time frame for U.S. action), the U.S. would lose nearly $60 billion in revenue over a 10-year period. The Joint Committee has also made clear that these revenue losses could be more than double if the U.S. does not enact all elements of Pillar 2 or if the U.S. seeks to replace existing elements of its tax code, such as the corporate alternative minimum tax (CAMT) or the base erosion tax (BEAT), with the overlapping Pillar 2 measures. Republicans, and possibly even some Democrats in Congress, have taken this official revenue estimate from the Joint Committee as another sign that the U.S. Treasury negotiated poorly on Pillar 2 at the OECD and, as a result, gave away a significant portion of the U.S. tax base on these measures. This loss of revenue could encourage Congress to seek further changes or delays to Pillar 2 rules.

In the meantime, it can be said that the U.S. can point to initial successes in this regard with the Transitional UTPR Safe Harbour adopted in mid-July.

Minimum tax developments in the EU and other countries

In December 2022, the directive on the implementation of the OECD minimum taxation was adopted at EU level. The 27 EU member states have committed themselves to implementing the OECD minimum taxation at the beginning of 2024. Consultations on the national implementation proposals are currently underway in various EU countries. It is now unclear whether all or at least the vast majority of EU member states will actually implement the minimum taxation by 2024.

Outside Europe, the enthusiasm surrounding the introduction of the minimum tax seems to have largely faded. With the exception of Canada, Japan, Korea and Australia, many countries are largely holding back on announcements or consultation procedures. At any rate, it must currently be assumed that only around a quarter of the members of the Inclusive Framework will implement the minimum tax at the beginning of 2024. These include economic heavyweights such as China and India. There are likely

	various reasons for this. One important reason is likely to be the Transitional UTPR Safe Harbour adopted under pressure from the USA. The result of this is that countries introducing the minimum taxation in 2024 will put their own groups at a tax disadvantage (temporarily, until the end of 2026) compared with groups from countries not introducing the minimum taxation (e.g. USA, China, India, Brazil, etc.). <u>Implementation in Switzerland</u>: At the beginning of 2022, the Federal Council decided on its approach to implement the OECD digital taxation rules. The proposal was to amend the Federal Constitution to establish a competence standard for both Pillar 1 and Pillar 2 of the OECD project. To facilitate the shift implementation of OECD minimum taxation (Pillar 2) in the interests of the treasury and companies, transitional provisions are to be included in the Constitution. Based on these provisions, the Federal Council will adopt a directly applicable transitional ordinance. If the Federal Council follows the EU's implementation plan, the transitional ordinance could come into effect as early as January 2024. Later, this ordinance is to be replaced by a Federal Law as part of the ordinary legislative procedure. In December 2022, the Federal Councils approved the implementation proposed by the Federal Council. The mandatory referendum was held on June 18, 2023. More than three-quarters of Swiss voters approved the implementation decided by the Federal Council and Parliament. The decision specified that 75 percent of the additional revenue from the Swiss (QDMTT) and the international supplementary tax (IIR, UTPR) should go to the cantons from which the additional taxes originate. According to the transitional provisions, 25 percent of the revenue is to be allocated to the Federal Government. How the cantons will use any additional revenues from the supplementary tax will be determined at a later date, depending on the expected revenues levels and cantonal objectives. Clarity on the actual revenues will probably not be available until one to two years after its introduction. In parallel with the amendment of the Constitution, the Federal Council is moving forward with the enactment of the Federal Council Ordinance on the Implementation of the OECD Minimum Tax. Since important procedural and implementation regulations are yet to be determined by the Implementation Framework, the consultation on the ordinance will be conducted in stages. In August 2022, the Federal Council presented the first draft ordinance, which is limited to two areas. To eliminate discrepancies in the Swiss implementation of the GloBE rules, the ordinance contains a direct reference to the OECD's Pillar 2 model rules, encompassing commentary and administrative guidance. Additionally, the draft ordinance governs the source-based distribution of the supplementary tax revenues among the cantons. The tax revenues from the Swiss supplementary tax are to be allocated to those cantons whose companies or business units have paid the supplementary tax. On May 24, 2023, the Federal Council presented the second part of the draft ordinance (VO draft 2). The consultation draft addresses procedural matters, such as the one-stop shop by lead canton, normal mixed assessment procedure, including tax declaration, the purely digital assessment procedure, appeals, penalty provisions, and procedures). The consultation period extended until September 14 (see statement of SwissHoldings).

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Outlook	At the beginning of July, SwissHoldings was still firmly convinced that the majority of the 143-state Inclusive Framework would introduce the minimum tax at the beginning of 2024 or, at the very latest, at the beginning of 2025. This assessment needs to be comprehensively revised. Of the Inclusive Framework members, fewer than a quarter are likely to introduce the minimum tax by the beginning of 2024. No country is likely to implement the UTPR at all in 2024. Among the 27 EU member states, only about fourteen countries have currently announced plans or draft legislation, conducted consultations or adopted regulations. The implementation of the OECD minimum taxation is demanding in terms of legislation and administration. Therefore, many EU member states are seriously behind schedule with their preparatory work with regard to the EU-wide mandatory introduction year of 2024 (UTPR 2025). At the same time, Europe is still a "pioneer" in global terms. Many economic powers (e.g. USA, China, India, South American and African states) have made no more or only vague statements known. Important economic powers such as the USA are unlikely to implement minimum taxation at all. Investment hubs like Singapore and Dubai, which are important competitors of Switzerland, plan to introduce minimum taxation in 2025 at the earliest. Singapore wants to introduce a QDMTT only. A major reason for the reluctance of many countries is the Transitional UTPR Safe Harbour adopted by the OECD in mid-July. While groups headquartered in countries that have introduced minimum taxation must comply with the 15% taxation rule globally from 2024 (i.e. also in all countries with subsidiaries), groups from countries that have not introduced minimum taxation in 2024 can benefit from substantial tax advantages thanks to the UTPR Safe Harbour, depending on the corporate structure. The same applies to intermediate holding companies of groups headquartered in states without minimum taxation. In view of these changed framework conditions, the Federal Council should also examine whether Switzerland should actually introduce the minimum tax at the beginning of 2024. In doing so, the Federal Council should consider the following factors: ● International implementation - (critical mass of countries) ● Financial and economic consequences (short, medium and long term) ● Effects on location attractiveness ● Discrimination against Swiss corporations ● Domestic aspects ● Administrative effort for affected companies ● Flexibility to respond to international developments ● Reputation of Switzerland ● Status development of new site measures

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Department of Economics

Trade and Investment Policy

Bilateral Relations Switzerland / EU

| Current Status | The European Union (EU) is by far Switzerland's most important trading partner. Simultaneously, Switzerland is also one of the EU's largest export and import markets. Therefore, the relationship between Switzerland and the EU is crucial for the Swiss economy. Switzerland is pursuing a bilateral approach in this regard. Beginning with the free trade agreement signed in 1972, Switzerland has established a dense and ever-evolving network of agreements with the association of states. The Bilateral I and II agreements are particularly noteworthy as they grant the contracting parties non-discriminatory access to each other's markets and establish close cooperation in various areas between Switzerland and the EU. This bilateral approach has brought numerous advantages to Switzerland.

However, the EU has linked the further development of the agreement network to a clarification of the institutional framework. Based on this demand, a draft agreement was drawn up between 2014 and 2018. At its meeting on May 26, 2021, the Federal Council decided not to sign the institutional framework agreement and to end negotiations with the EU. The body believes that various substantial differences could not be resolved.

Nevertheless, the Federal Council wants to continue bilateral cooperation. Two years after the failure of the Framework Agreement, the Federal Council decided in the spring to make a new attempt to clarify the relationship with the EU. The reason given for this was that the body had noted a positive dynamic at the technical, diplomatic and political levels in the exploratory talks with the EU that had been underway since the end of February last year. The administration was therefore instructed by the body to draw up the key parameters of a negotiating mandate by the end of June and to take soundings with the European Union. The package approach proposed by the Federal Council will continue to serve as the basis for the talks: instead of a single agreement of a horizontal nature regulating institutional issues (such as the adoption of laws, monitoring, dispute settlement), an entire package of new concrete agreements (including electricity, food safety and health) is to be drawn up. The existing and new single market agreements should each include solutions to the institutional issues in their area. The aim is to enable a broad balance of interests with this approach and to increase the chances of success in any subsequent negotiations.

On June 21, the Federal Council has now approved the key parameters for a negotiating mandate between Switzerland and the EU. They form the basis for further talks with the EU, in particular to settle the outstanding points. If the talks with the EU and the internal work continue to progress well, the Federal Council will prepare to adopt a negotiating mandate by the end of the year. At the same meeting in June, the long-awaited Federal Council report "Situation Assessment of Switzerland-EU Relations" was also adopted. The report |

	concludes that the bilateral path remains the most advantageous solution for Switzerland.
Outlook	Orderly and secure 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. It must therefore remain a priority goal that the bilateral path can be successfully preserved. 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 exhaust all possibilities that Switzerland can implement unilaterally to strengthen the framework conditions, in order to ensure the competitiveness of our country.

Free Trade Agreement

Current Status	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. Amongst other channels, this is accomplished 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. In conjunction with the other EFTA states, Switzerland is currently negotiating free trade agreements with six new partner states; namely India, Kosovo, Malaysia, Mercosur, Thailand and Vietnam. In addition to the modernization of various existing agreements; such as those with Chile, Mexico and the South African Customs Union. Switzerland is also negotiating a comprehensive bilateral FTA with the UK.
Outlook	Especially against the backdrop of growing trade conflicts worldwide, a World Trade Organization (WTO) that is losing influence, and generally growing protectionism, the expansion of the network of free trade agreements is important for the export-oriented Swiss economy and for the member companies of SwissHoldings. The aspect of sustainable development is becoming increasingly important in the context of global trade. From SwissHoldings' point of view, it is central that sustainability aspects are duly taken into account within the current considerations and plans for the further development of free trade agreements (FTAs). 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. SwissHoldings will continue to advocate for the important expansion of the Swiss network of free trade agreements.

Investment Controls

Current Status	The introduction of investment controls is also currently being discussed in Switzerland. On May 18, 2022, the Federal Council published the preliminary draft of a new Investment Control Law and submitted it for consultation. Prior to this, Parliament had called for a corresponding legal basis by adopting Motion 18.3021 Rieder. The proposal is to introduce a reporting and approval requirement for certain acquisitions of domestic companies.

	The Federal Council presented a regulatory impact assessment on the preliminary draft as part of the consultation process. The RIA concludes that the cost-benefit ratio of such a new law is unfavorable. Consequently, the panel continues to oppose the introduction of an investment audit. It considers the existing legal framework to be sufficient. SwissHoldings participated in the consultation (statement) and essentially stated: - Foreign direct investment is central to Switzerland. In the small and open Swiss economy, the prosperity of the population and the competitiveness of companies depend directly on integration into global value chains. - Since Swiss companies themselves are among the largest direct investors abroad, Switzerland has a particular interest in accessing international investment markets, as non-discriminatory and transparent as possible. Switzerland is most likely to achieve this if it shows itself to be open to foreign investment. - The Federal Council presented a Regulatory Impact Assessment (RFA) on the preliminary draft as part of the consultation process. The RIA concludes that the cost-benefit ratio of such a new law is unfavorable: for this reason, the panel remains opposed to the introduction of an investment audit. It considers the existing legal framework to be sufficient. SwissHoldings supports this position. - However, the question of whether Switzerland should introduce an investment audit cannot be assessed in isolation from international developments. If OECD member states introduce restrictions on certain foreign investments across the board, then this must be taken into account when assessing the Swiss regulatory approach - not least to prevent a pull effect being triggered on the Swiss economy. - In this context, the present draft represents a compromise. In order to keep the legal risks for the economy as small as possible, such a state intervention mechanism should be examined in the context of a targeted, administratively lean and transparent design. It is also important that the regulation is compatible with Switzerland's existing obligations under International Law.
Outlook	The Federal Council is currently in the process of preparing a draft law for the introduction of investment controls and will submit this to parliamentary consultations in the current year. The law is not expected to enter into effect before 2024.

Investment Protection Agreement (ISA)

Current Status	Switzerland has a network of a total of 111 bilateral investment protection agreements (ISA). According to UNCTAD, Switzerland thus 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

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	the gap in the treaty that has existed since the previous agreement expired in 2016.
Outlook	SwissHoldings will continue to closely follow the regulatory developments around the investment agreements and in this context will point out the great importance of ISA and international arbitration for Swiss companies and Switzerland as a business location.

Corporate Social Responsibility

Corporate Responsibility Initiative

Current Status	The popular initiative was rejected at the ballot box on November 29, 2020, paving the way for the indirect counter-proposal's entry into enforcement. The Federal Council presented the ordinance on the indirect counter-proposal on December 3, 2021, which imposed new obligations based on EU regulations and, in some cases, went beyond them. The law took effect on January 1, 2022, meaning that Swiss companies would have to report in accordance with the new rules for the first time by the 2023 financial year. During a meeting on November 23, 2022, the Federal Council adopted the Climate Change Reporting Enforcement Ordinance ("TCFD") for large Swiss companies and brought it into effect on January 1, 2024. Further information and the preprint of the ordinance can be found here. In addition, the Federal Council has evaluated the extent to which there is a need for Switzerland to adapt; as a result of the dynamic developments in EU Law. Specifically in the area of Sustainable Corporate Governance. The body has subsequently decided to prepare a consultation draft by July 2024, at the latest, to examine the applicability of the new EU rules for ESG reporting. In the area of due diligence, however, it is still intended to wait. SwissHoldings welcomes this decision. It is true that the EU is planning a new law to monitor risks in value chains. However, the contours of this regulation are only beginning to emerge (see also media release SwissHoldings: Federal Council rightly adheres to an internationally coordinated approach in the area of corporate responsibility - SwissHoldings). Moreover, the Parliamentary Initiative (Pa.Iv) Gredig (21.427)" - "Combating forced labor by expanding the scope of the counter-proposal UVI" is currently being dealt with in the Legal Commission of both Councils. The aim of the parliamentary initiative is to ensure the scope of the counter-proposal is extended to include the prohibition of forced labor in the special due diligence obligations and transparency; with a focal point on conflict minerals and child labor (Art. 964j et seq. CO). The focus here is on the core conventions ratified by Switzerland on the International Labor Organization No. 29 regarding forced or compulsory labor, No. 105 on the abolition of forced labor, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines. However, in mid-March the Legal Commission decided to suspend the work on implementing the Parliamentary Initiative Gredig 21.427 "Combating forced labor by extending due diligence" until further notice against the backdrop of current developments at EU level and the corresponding resolutions of the Federal Council (see also above). The Commission has expressed its support for Petition 22.2039 "Coalition for Corporate

	Responsibility. For a strong corporate responsibility law" as part of the Parliamentary Initiative Gredig 21.427.
Outlook	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 for the member companies as much as possible and offer a platform for the exchange of expertise.

Developments EU level

Current Status	The European Commission is presently considering potential regulations in the area of Sustainable Corporate Governance and related Due Diligence. In the first half of 2022, it published a proposal for a directive on Corporate Sustainability Due Diligence. The specific objective is to define corporate interests under European Law, taking into account various sustainability criteria. Additionally, the initiative focuses on the implementation of corporate due diligence obligations in global supply chains. In the legislative process, the trilogue negotiations are still currently pending between the EU Commission, the EU Parliament and the Council of the European Union. Whereby divergent positions have been introduced into the negotiation process by these three institutions. Considering the current circumstances, it is assumed that the discussions in the trilogue process will be contentious and intensive. If adopted, the directive will have to be transposed into National Law accordingly by the member states.
Outlook	SwissHoldings member companies are likely to be directly affected by this new EU regulation in the area of Sustainable Corporate Governance, The regulation provides for a third country regime - through which Swiss companies operating in the EU are directly covered by EU regulations above a certain size.

Collective Legal Protection

Current Status	On December 10, 2021, the Federal Council presented the class action bill and passed it for the attention of Parliament. The bill provides for the expansion of the existing class action, the creation of a new class action for the assertion of compensation claims, and the possibility of settlements declared binding by the courts. The business community is critical of these plans, which the Federal Council wants to establish without prior consultation. In the summer of 2022, the RK-N decided not to act on the class actions. It was not possible at the present time to decide on the expansion of instruments of so-called "collective redress". Essential questions had not yet been clarified In June of last year, the Legal Commission of the National Council (RK-N) began deliberations on this matter and expressed doubts about the Federal Council's proposal. The commission therefore decided not to act on the bill for the time being and instead to commission extensive further clarifications from the Federal Office of Justice (FOJ). However, the audit reports of the administration that are now available (see also media release of the RK-N) only marginally address the justified fundamental concerns of the Commission with regard to the introduction of class action instruments. This is in direct contrast to the current discussions at EU level. These far-reaching "safeguard" measures are being discussed to contain the feared risks of abuse of these instruments, up to and including a

	fundamental ban on commercial litigation funding or a general restriction of access to ordinary civil proceedings, via a pre-screening clause. Furthermore, it raises questions that not a single company in Switzerland was consulted for the regulatory impact assessment (RIA), although it is customary in such cost assessments that the main stakeholders affected can contribute. During its last deliberation on this matter in the beginning of July, it included an extended examination of safety measures, as well as a validation of the already available RFA report through direct company interviews. This must be indicated before it can decide on the further course of action. It is anticipated that the Commission will resume deliberations in Q1 2024. For the business community, the focus is on efficiently balancing the interests of different parties. There are various instruments for this purpose, and the superiority of individual instruments, in relation to others, is evident based on empirical developments abroad. Therefore, it is crucial to conduct the discussion at the appropriate level. The fact that the need for action has been emphasized by the Federal Council in the Dispatch on civil procedure indicates that important alternatives have been excluded from the beginning. This exclusion must be addressed through the analyses commissioned by the Commission. The clarifications provided by the Federal administration aim to demonstrate how other countries attempt to resolve tensions between parties resulting from mass and scatter damages. In this context, special emphasis will be placed on the promising system in Scandinavian countries, where the majority of experiences with this model have been positive.
Outlook	SwissHoldings supports the decision of the Legal Commission of the National Council (RK-N). From the association's point of view, the business is not ready for political consultation.

Accounting and Reporting

IFRS Standard Setting

Current Status	The focus of the work was to support and comment on the IASB's consultation on "IAS 12 Income Taxes," in which the Board proposed amendments to IAS 12 Income Taxes. The aim is to provide temporary relief in accounting for deferred taxes arising from the forthcoming implementation of the Second Pillar Model Rules published by the Organization for Economic Cooperation and Development (OECD). The IASB is responding to stakeholder concerns about the potential impact of these rules on the accounting for income taxes in financial statements (the SwissHoldings comment letter can be found at the following link: SwissHoldings comment letter on ED International Tax Reform-Pillar Two Model Rules). Furthermore, two projects are currently underway at IASB level in the area of the Post-Implementation Review on IFRS 15 (revenue recognition) and on IFRS 9. The work of the partner standard setter ISSB is also progressing with regard to sustainability reporting. The ISSB has published the first two standards (S 1 and S 2) in recent weeks. S 1 refers to the superordinate level and includes principles on how sustainability-related opportunities and risks should be presented in general. On the other hand, S 2 relates specifically to climate-related reporting.

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Outlook	SwissHoldings will continue to actively follow the work of the IFRS Foundation and participate in consultations relevant to our members.

Sustainable Finance Switzerland Strategy

Current Status	At **the end of 2023, the Federal Council published two strategy documents for a sustainable financial center and possible fields of action in general in the area of sustainable finance** ("Sustainable Finance Switzerland - Fields of Action 2022-2025 for a Leading Sustainable Financial Center" and Position Greenwashing Prevention in the Financial Sector). The **Sustainable Finance Switzerland report** highlights the role of the Swiss financial center in terms of sustainability and identifies past and future fields of action. Four fields of action are addressed: (1) sustainability data from the overall economy, (2) transparency in the financial sector, (3) impact investments and green bonds, and (4) pricing of environmental pollution. A total of 15 specific measures can be grouped into the action areas. As shown in the report, many of the measures have already been addressed. **In the position paper on greenwashing, the Federal Council has specified its approach in this regard. Financial products or services should only be offered as sustainable if they are compatible with at least one specific sustainability goal or contribute to achieving a sustainability goal.** This is to ensure that financial products and- services that are intended to reduce any ESG risks are only designated as sustainable, if they pursue a sustainable investment objective in addition to a purely financial one. Providers of sustainable products or services should explain how they intend to achieve the intended sustainable investment objective.
Outlook	It is true that many of the aspects under discussion are aimed exclusively at the financial sector. However, the real economy is - at least indirectly - directly affected by the discussion and the planned regulatory approaches. For example, financial services companies depend on information and data sets from issuers to fulfill their transparency obligations. Generally speaking, the primary lever for a transition to a sustainable economy lies with the real economy, which directly influences the various sustainability areas through the production and consumption of goods and services. SwissHoldings will therefore closely follow the planned work of the Federal Government in coordination with the other industry associations.

Sustainable Finance & ESG Reporting at EU Level

Current Status	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. In 2020, the EU adopted the Action Plan for Financing Sustainable Growth, which forms the basis for several legislative initiatives. Among these initiatives is the Taxonomy Regulation, which is particularly relevant for preparers. With the introduction of the Taxonomy, companies will be required to classify all their business activities in a classification scheme to determine the "green character" of their economic activity. Companies will also need to disclose separately the share of sales, the share of investments ("CapEx"), and the

	share of operating expenses ("OpEx"). Additionally, all these activities must be evaluated in relation to minimum social criteria. The action plan also includes a proposal for a Corporate Sustainability Reporting Directive (CSRD) to replace the existing Non financial Reporting Directive (NFRD). The directive was adopted at the EU level on November 10. 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 to be developed. Other significant changes include a substantial expansion of the required report content (such as forward-looking elements and information on intangible assets) and the principle that all information must be made available via a digital reporting structure. On July 31, the European Commission published the first set of European Sustainability Reporting Standards (ESRS). This contains a number of adjustments compared to the original drafts - whereby in particular the principle of materiality in application has been strengthened. SH member companies are likely to be directly affected by both of these regulatory measures due to their close economic ties with EU member states.
Outlook	SwissHoldings views the current initiatives for greater standardization in the area of sustainable finance and ESG reporting as fundamentally positive. A more uniform framework for mapping a company's sustainability performance helps create clarity and trust between investors and preparers. However, the association emphasizes that sustainability data must always be placed in a comprehensible context with business strategy and financial reporting in the future. The criteria of relevance, feasibility, and cost/benefit ratio should always apply to transparency requirements. 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. SwissHoldings is monitoring ongoing developments and continues to support the business, particularly within the framework of the working group of umbrella organizations at the European level.

Capital Markets

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. From the association's point of view, the SNB's current orientation has proven its worth. The organization is critical for a "politicization" or further earmarking of the SNB's profits.