

SwissHoldings Update

February 2021

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SwissHoldings, the association of industrial and service companies in Switzerland, comprises 59 of the largest groups in Switzerland, which together account for approximately 71 percent of the total market capitalization of the SIX Swiss Exchange. Our member companies employ around 1.7 million people globally, around 200,000 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

<p>Current status</p>	<p>On 12 February 2020, the Federal Council instructed the Federal Department of Economic Affairs, Education and Research (WBF) to prepare a draft for public consultation.</p> <p>As far as it is known, several elements of the 2014 failed revision of the Cartel Act will be taken up again.</p> <p>The Federal Council's main aim is to modernize merger control. It states in detail that the change from the current qualified market dominance test to the Significant Impediment to Effective Competition Test (SIEC test) will adjust the test standard of the Competition Commission (COMCO) to international experience. The fundamental difference between the market dominance test applied in Switzerland and the SIEC test to be introduced is the level of the intervention hurdle. The SIEC test could prohibit mergers or impose appropriate conditions if they led to a significant obstacle for competition. Under the current test standard, this would only be possible if effective competition would completely be eliminated through a merger. Two studies commissioned by the State Secretariat for Economic Affairs (SECO) would show that positive effects on competition in Switzerland could be expected from such a change.</p> <p>Additionally, in accordance with the parliamentary decision of 5 March 2018, the Federal Council intends to include two requests of Motion Fournier 16.4094 "Improving the situation for SMEs in competitive processes" in the revision. The Federal Council states that, on the one hand, regulatory deadlines would be introduced for the competition authorities and courts in order to speed up administrative procedures. On the other hand, the Motion Fournier demands compensation for parties in all phases of the administrative procedure under competition law, and now also for proceedings before the Competition Commission (COMCO).</p> <p>According to the Federal Council, two further technical elements from the 2012 revision of the Cartel Act, which was rejected by parliament, are also to be dealt with. On the one hand, the civil anti-trust law should be strengthened and, on the other hand, the opposition procedure should be improved (see the media release including the mentioned studies in detail under the following link).</p> <p>However, the elements mentioned by the Federal Council do not include the following elements in particular, which were expected in the 2014 revision: institutional reform, compliance defense, individual sanctions.</p>
<p>Outlook</p>	<p>The consultation is expected to be opened in the third or fourth quarter of 2021. SwissHoldings accompanies the bill and will participate in the consultation process.</p>



Popular initiative "Stop the high-price island - for fair prices" and indirect counter-proposal by the Federal Council

<p>Current status</p>	<p>The federal popular initiative "Stop the high-price island - for fair prices" was formally launched in January 2018. It aims to incorporate various elements of previous parliamentary proposals to combat the so-called "price island of Switzerland" by means of competition law into the Constitution. These are to include measures to ensure the non-discriminatory procurement of goods and services abroad and to prevent restrictions of competition caused by unilateral behaviour by companies with strong market power.</p> <p>The Federal Council recommends that the initiative is rejected. In August 2018, the Federal Council proposed that the "fair price" initiative be confronted with an indirect counter-proposal, which is very similar to the initiative in the main aspects. Also after the review process, the Federal Council maintained its decision in favour of the indirect counterproposal already presented and adopted a corresponding dispatch on 29.5.2019.</p> <p>The National Council and the Council of States have both discussed the bill. Both Councils recommend rejecting the initiative but have agreed to the counterproposal (the National Council with 161 votes to 27 and 2 abstentions and the Council of States with 30 votes to 11) and have accepted the proposal in the overall vote (National Council with 154 votes to 27 with 4 abstentions and Council of States with 30 votes to 12 with 2 abstentions).</p> <p>At the beginning of this year, the first round of the difference adjustment procedure ("Differenzbereinigungsverfahren") began. The preparatory commission of the National Council discussed the differences (see link to press release) and the National Council and Council of States will discuss them in the upcoming spring session. The remaining differences concern the re-importation clause and the ban on private geo-blocking.</p> <p>SwissHoldings opposes both the initiative and the counterproposal (in its various versions) and welcomes proposals that are aimed at defusing the counterproposal, in particular for the following reasons: The initiative and the counterproposal will not lower prices. At the same time, however, the fair price initiative and the counterproposal lead to significant negative effects. In particular, they lead to a disproportionate restriction of economic freedom and considerable legal uncertainties and therefore unnecessary (compliance) costs will arise. It is also doubtful whether the required regulation will be enforceable in practice. In general, the question also arises as to whether the initiative and the counterproposal are the right way forward in a high-wage country like Switzerland. These are just a few of the many reasons why the initiative and the counter-proposal are not the right choices.</p>
<p>Outlook</p>	<p>SwissHoldings continues to advocate the positioning described above.</p>



Corporate and capital market law

Covid 19 and General Assemblies

<p>Current status / outlook</p>	<p>General Assemblies 2020: This year the Federal Council issued a ban on events due to the developments regarding Corona. This led to a conflict with the need for companies to hold their general meetings in the spring, namely, to allow the payment of dividends. In order to resolve the conflict, the Federal Council then issued a regulation for this year's General Meetings by way of emergency law, according to which the organizer can order that the participants can exercise their rights exclusively: a) in writing or in electronic form; or b) through an independent proxy appointed by the organizer. In addition, Q& A on the subject have been published on the website of the Federal Office of Justice.</p> <p>General Assemblies 2021: For the year 2021, the members of SwissHoldings depend on clear regulations and legal certainty. Accordingly, the association welcomes the fact that in the summer of 2021, the Federal Council extended the provisions of the 2020 General Assemblies until the end of 2021 (cf. Art. 27 of Ordinance 3 on Measures to Control Coronavirus (Covid-19) (Covid-19 Ordinance 3)).</p>
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Completed revision to corporate law and upcoming minor revisions in corporate law

<p>Current status/</p>	<p>Adoption of the company law revision: After a very long history, the revision of the Stock Corporation Act was finally completed this summer. An essential part of the revision was the transfer of the ordinance against excessive remuneration into the law of obligations. The revision also includes various technical adjustments.</p> <p>SwissHoldings welcomes the fact that the revision of the Stock Corporation Act has now been completed in the interest of legal certainty. In terms of content, it is particularly important that the ordinance against excessive remuneration has not been significantly tightened.</p> <p>Effective Date: The majority of the provisions of the revision of the Stock Corporation Act are expected to come into force early/mid-2022, possibly even as late as 2023.</p> <p>Art. 293a SchKG of the company law revision, which extends the provisional moratorium from four to eight months, has already taken effect (on October 20, 2020). Furthermore, the Federal Council has set the gender guidelines (with long transition periods) as well as the transparency provisions in the raw materials sector into effect on January 1, 2021.</p> <p>SwissHoldings positions itself with regard to the entry into force as follows: It suits us if it is communicated early enough when which provisions will come into force, so that member companies can sensibly prepare for the new provisions; an early entry into force is not (necessarily) something that our member companies want.</p>
<p>Outlook</p>	<p>Now that the corporate law revision has been completed, several upcoming law revisions are emerging.</p> <ul style="list-style-type: none"> - Commercial Register Ordinance: Now that the revision of the law has been completed, the administration has started to work on the

implementing ordinances, resp. the Commercial Register Ordinance. The corresponding consultation was opened on February 17, 2021. It will last until May 24, 2021. The main focus of the consultation is on provisions regarding the more flexible incorporation and capital requirements newly resolved in the revision of stock corporation law, as well as on share capital in foreign currencies (catalog of permissible foreign currencies for capital). See the media release and the consultation documents under the following [link](#). SwissHoldings will participate in the consultation process.

- **Regulation on Proxy Advisors:** In the deliberations regarding the corporate law revision (and also already in the course of the revision of the SIX Directive on Information Relating to Corporate Governance), parliamentarians have repeatedly discussed a provision that wanted to regulate proxy advisors. The regulation under discussion wanted to regulate proxy advisors through transparency obligations for issuers. SwissHoldings opposed the regulation under discussion at the time, in particular because it would have meant that problems in connection with proxy advisors would have been regulated by a selective regulation, which would have been "on the back of the issuers/companies". In the end, the provision was not included in the revision of the stock corporation law, which we very much welcome. As a reaction to this, Motion 19.4122 (see [link](#)) was adopted, with the following wording: The Federal Council is instructed to present an amendment to the law (e.g. to the Financial Market Infrastructure Act) in order to disclose and avoid any conflicts of interest of proxy advisors in listed stock corporations. International developments are to be taken into account.

A corresponding revision of the law can be expected accordingly.

- **Possible regulation on loyalty shares:** Within the scope of the revision of Corporate law, a regulation was further discussed that would introduce so-called loyalty shares. In the end, it was not adopted. Instead, the Council of States submitted a postulate, according to which the Federal Council is instructed to present a report on the possible advantages and disadvantages as well as the effects of the proposed regulation discussed in the revision of the company law. According to the postulate, the report should also include a comparative legal analysis of the possible implementation options under Swiss company law and the extent to which action is required in this area (see the [link to the postulate for details](#))

This could lead to regulation in the future.

- **Regulations in connection with the submission against bankruptcy abuse:** The aim of the law is to use various measures in the Code of Obligations, debt collection and bankruptcy law and criminal law to prevent the bankruptcy proceedings from being abused by debtors to discharge their obligations (see [link to the documents on curiavista](#)).

Within this context, measures under stock corporation law are also under discussion. In particular, the Federal Council proposes to codify the decisions of the Federal Court on the trade in shell companies "Mantelhandel". Further proposals on stock corporation law could be incorporated into the bill: So far, only the preliminary commission of the Council of States has discussed the transaction and decided to examine in more detail whether the measures proposed by the Federal Council are sufficient enough to put a stop to bankruptcy abuse. The administration will now carry out the necessary clarifications and the commission will then continue its deliberations (only) in



	<p>spring/summer 2021.</p> <p>SwissHoldings follows the developments in these areas and continues to actively promote the interests of its member companies in the area of corporate law.</p>
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Amendment of the Money Laundering Act

<p>Current status/ Outlook</p>	<p>On June 1, 2018, the Federal Council opened the consultation process on the amendment of the Money Laundering Act. On 26 July 2019, it then issued the dispatch (see link to media release and the relevant documents). Afterwards, the preparatory commission of the National Council as well as the National Council decided to reject the bill in the beginning (“Nichteintreten”). The preparatory commission of the Council of States and the Council of States agreed on the bill and discussed it. On October 9, the preparatory commission of the National Council then discussed the matter again; it has now accepted the bill and discussed the matter. In the end, however, it rejected the bill in the overall vote (“Ablehnung in der Gesamtabstimmung”). The rejection in the overall vote is procedurally equivalent to rejecting the bill in the beginning (“Nichteintreten”). The National Council then accepted the bill and sent it to its preparatory committee for further detailed discussion. On February 5, the committee discussed the bill again and approved it in the overall vote. The National Council will now discuss the bill again in the spring session.</p> <p>The aim of the proposal is to take into account the Federal Council's financial market policy strategy for a competitive Swiss financial center and the most important recommendations of the country report of the Financial Action Task Force (FATF). The part of the bill that is controversial in parliament concerns above all the point that various advisory service providers (e.g. lawyers) should also be covered by this law.</p> <p>The member companies of SwissHoldings are only marginally affected by the content of the bill. Accordingly, SwissHoldings had only submitted a brief consultation response as a part of the consultation process, whose specific concerns related to the Federal Council bill were largely taken into account by the Federal Council, and is now accompanying the bill from a distance</p>
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Consultation on the regulations of ad hoc publicity and further adjustments

<p>Current status / outlook</p>	<p>In 2016, the SIX had already conducted a consultation on the revision of the regulations on ad hoc publicity, in which SwissHoldings had participated at the time.</p> <p>The SIX then contacted this year the participants in the consultation process at the time and provided the following information: "Due to political negotiations (i.a. regarding exchange equivalence with the EU), dialogues with a range of regulatory bodies (mainly FINMA), and also, in particular, the complex legal and regulatory environment surrounding the ad hoc publicity regulations, further discussions and analyses have been taking place since that time, some of which pertain to recognized international standards" The participants in the consultation process at the time were consulted accordingly on various amendments to the Listing Rules, the Directive on Information Relating to Corporate Governance and the Directive on Ad Hoc Publicity.</p> <p>In our statement, we voiced that we continue to support the direction of the approach, which largely refrains from the concept of certain "per se" facts. We have also stated that the proposal still requires various adjustments and what these adjustments consist of (see link to the detailed opinion).</p> <p>The upcoming regulation remains to be seen.</p>
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Parliamentary initiative 21.400 RK-NR 21.400 "Temporarily extend permit requirement under Lex Koller to permanent establishment properties"

<p>Current status / outlook</p>	<p>The National Council's Committee for Legal Affairs has launched a parliamentary initiative to temporarily (i.e. during a special situation (Article 6 of the Epidemics Act) or an extraordinary situation (Article 7 of the Epidemics Act) and for two years after the end of the special or extraordinary situation) extend the permit requirement under the Lex Koller (see link). The initiative went to the Council of States' Committee for Legal Affairs on February 22, 2021. It rejected the initiative.</p> <p>SwissHoldings is firmly against the initiative (see our positioning in detail under the following link) and welcomes the rejection of the initiative by the Council of States' Committee for Legal Affairs.</p>
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Compliance

Compliance Specialist Group as a platform for the exchange of experience among the member companies - in particular on compliance management systems

Current status	The constantly increasing compliance burden, including non-financial companies, forces them to constantly expand their company-wide compliance systems and check their efficiency. In Working Group Meetings in English the various Compliance Management Systems of the different member companies are presented and an exchange takes place. Other topics relevant to the member companies (e.g. in the most recent meeting the counter-proposal to the Responsible Business Initiative and the role of the Compliance Officer) are also discussed.
Outlook	SwissHoldings will continue to promote the mutual exchange between the member companies.

Revision of the Code of Civil Procedure - Collective redress – Legal professional privilege for in-house counsel

Current status	<p>In 2018, a consultation on the amendment of the Code of Civil Procedure was held. It particularly concerned the dismantling of cost barriers, the introduction of instruments of collective redress and the implementation of the parliamentary initiative Markwalder (16,409) for a legal professional privilege for in-house counsel.</p> <p>The Federal Council then presented its dispatch on the revision of the Code of Civil Procedure on the 26th of February 2020 (see link to the media release as well as to the message and the Federal Council draft). It decided to remove the collective legal protection from the draft and to treat it separately. He also decided to retain the provision on the protection of professional secrecy for in-house counsel in the Federal Council's draft.</p> <p>Afterwards, the bill was submitted to the preparatory commission of the Council of States (Commission for Legal Affairs of the Council of States); this commission started deliberations and gave the administration various orders for evaluation.</p> <p>SwissHoldings is against the instruments of collective redress and explicitly and emphatically supports the intended provision regarding the legal professional privilege for in-house counsel. SwissHoldings represented this position within the framework of the consultation process (see in detail the link to our response to the consultation) and is now also actively representing it within the framework of the parliamentary process as well as in a possible separate revision of the Code of Civil Procedure on collective redress at a later date.</p>
Outlook	The preparatory commission of the Council of States will now continue the detailed discussion at its next meeting. SwissHoldings will continue to promote the interests of its member companies in line with our positioning.



Data protection

Data protection law, ordinance law, the equivalence decision, and Schrems II

<p>Current status</p>	<p>Data Protection Act: In view of European developments, Switzerland too had to revise its data protection law. This was done on the one hand to meet international expectations in accordance with the future revised Council of Europe Convention 108, and on the other hand, to maintain the equivalence with the GDPR, which is very important for the economy. The revision was now adopted in the final vote in the autumn session 2020 and is expected to come into force at the end of 2022.</p> <p>Ordinances: The adopted law is followed by the enactment of the ordinance(s). The consultation is scheduled for April 2021.</p> <p>Equivalence decision by the EU: The equivalence decision by the EU originally announced for summer 2020 has not yet been made. It had announced that it wanted to wait for the Schrems II ruling of the European Court of Justice. However, the European Court of Justice has now delivered its ruling on 16 July 2020 (see also the following). The decision on equivalence by the EU remains to be awaited.</p> <p>Schrems II decision: The decision mainly determines the following:</p> <ul style="list-style-type: none"> - EU-US Privacy Shield is void with immediate effect. - Standard contract clauses are still valid under increased conditions. <p>The decision leads increased legal uncertainty.</p>
<p>Outlook</p>	<p>SwissHoldings follows the developments around the above-mentioned topics and continues to promote the interests of the member firms in all these areas, in particular the maintenance of equivalence.</p>

Taxation Department

Withholding Tax Reform

Current status

With the withholding tax reform, the Federal Council wants to strengthen the Swiss debt capital market and encourage Swiss groups (as well as foreign groups with important activities in Switzerland) to issue their bonds here if possible. In addition, the groups should reduce their foreign financing structures as much as possible and carry out the corresponding activities in Switzerland. According to the Federal Department of Finance, the reform has an "extremely advantageous cost-benefit ratio". Studies commissioned by the federal government promise not only advantages for the business location, but also substantial additional revenues for the Swiss tax authorities.

The withholding tax reform is limited to the area of interest on debt capital. The withholding tax on dividends (equity capital), which is responsible for more than 98 percent of the withholding tax revenues (in 2019 without provisions), which now amount to almost 10 billion Swiss francs, remains unaffected by the reform.

From April to mid-July 2020, the Federal Council conducted the consultation process on the withholding tax reform. The bill contained widely accepted elements such as the goal of strengthening the Swiss capital market. The change from the debtor principle to the paying agent principle for directly held Swiss bonds and other Swiss interest-bearing securities also received broad support. On the other hand, the proposal on foreign funds and other foreign interest rate products were met with resistance from the financial industry. The main objection was that a tax deduction under the paying agent principle for foreign interest products is administratively very complex and therefore expensive or, that a deduction by the paying agents (i.e. the banks) cannot be made correctly in some cases. The costs incurred by the banks are several times higher than the tax revenues potentially protected from evasion. Given the low interest rates on debt capital that currently (and in the foreseeable future) exist, such a costly security system is completely exaggerated. Moreover, such interest rate products are in any case not attractive for individuals - for whom security is necessary at all because of fiscal banking secrecy.

In September 2020, the Federal Council passed another key decision on the withholding tax reform. Somewhat surprisingly, it decided to completely waive tax protection for interest securities (domestic and foreign) with the exception of domestic bank accounts. The abolition of the debtor principle, which functions poorly in the interest area, will rightfully be maintained. Only if it is abolished can the Swiss capital market strengthen and generate considerable additional income for the Swiss tax authorities. Based on the input from the consultation process, the introduction of the paying agent principle for domestic and foreign interest products should be abandoned. The only exception is Swiss bank accounts, to which the paying agent principle is to be applied in the future. The fact that the Federal Council is foregoing tax protection for all other Swiss interest rate products (funds, structured products, bonds) is probably due to the fact that Swiss funds in particular would otherwise have a

	<p>competitive disadvantage compared to foreign funds. The planned strengthening of the Swiss capital market could be hindered by this disadvantage. In addition, interest income is likely to be even lower in the coming years. Somewhat exaggerated, one could say that 35 percent withholding tax on zero francs of interest income results in tax revenues of 0 francs. Given such low interest rates, the withholding tax deduction is likely to fail to achieve its goal of encouraging many individuals to declare the interest income (as income) and the bond (as assets) in their tax returns. This, too, is likely to have deterred the Federal Council from proposing a costly tax security system.</p> <p>With its parameter decision, the Federal Council also rejected the possibility of providing automatic information exchange in the debt interest area. However, this alternative is not likely to be abandoned and will be raised again in the parliamentary debate. Since the quality of the data exchanged according to the international standard for automatic information exchange is often poor, it is currently impossible to assess if cantons will support such demands.</p> <p>In November 2020, The Federal Council confirmed it will move forward with the withholding tax reform. It put a temporary shortfall in revenue of CHF 160 million and CHF 25 million for the abolition of the sales tax on Swiss bonds and money market paper, as provided for in the package. The Federal Council also stated that it currently opposes the abolition of the other stamp duties (tax on share transfers and foreign bonds). The Federal Council only sees the abolition of the issuance tax on equity capital as sensible. It helps to overcome the economic consequences of the COVID-19 pandemic by making it easier to recapitalize troubled companies.</p> <p>The question is still open as to if, in the context of the withholding tax reform, the participation deduction for debt financing activities (debt interest transfer) will also be adjusted. In the future, groups will want to carry out their financing activities at the (Swiss) group headquarters or at the headquarters of the Swiss principal. This is also the easiest way for them to comply with the new OECD guidelines on financial transactions adopted in February 2020. Companies with numerous Group functions will be ideal. In many cases, these also have holdings in subsidiaries and are dependent on a well-functioning participation deduction. It is precisely here that the Swiss participation deduction has shortcomings in an international perspective. These deficiencies lead to double taxation (which the participation deduction should avoid). Due to the uncertainty about the financial consequences, the Federal Council has so far refrained from adjusting the participation deduction and eliminating the double taxation that arises in connection with financing activities. If it receives reliable information from the cantons about the financial consequences of the adjustment, the Federal Council could still adjust this decision and propose to the Federal Assembly that the participation deduction be improved. According to the information, the dispatch on the withholding tax reform is to be adopted by the Federal Council in the second quarter of 2021 (probably at the end of April or beginning of May) and submitted to the Federal Parliament.</p>
<p>Outlook</p>	<p>The elimination of withholding tax obstacles for debt financing activities remains the most important internal Swiss tax project for member companies in the wake of the AHV tax bill. Due to the new OECD transfer pricing guidelines, the importance and urgency of the reform has increased significantly for Swiss corporations. For SwissHoldings, it is therefore essential that the reform is pushed forward rapidly. In order for the reform to succeed and to avoid protracted disputes, it is important that the business community adopts positions that are as aligned as possible and that are politically acceptable to a majority.</p> <p>SwissHoldings will work to ensure that the business community is as united as possible and that the cantons are also behind the proposal. Furthermore,</p>



	<p>we will work to ensure that the adjustment of the participation deduction for financing activities will also form part of the Federal Council package. To this end, it is essential that the cantons provide the federal government with estimates of the financial impact of an adjustment of the participation deduction. The cantons should not only consider the financial consequences of adjusting the participation deduction. If the Swiss corporations relocate their financing activities to Switzerland, the difference in the interest rate between active and passive loans in Switzerland will also no longer apply. For our companies, this will mean that the calculated income discrepancy from the adjustment of the participation deduction of CHF 15 million from the federal government should be more than compensated for after just one to two years.</p> <p>The withholding tax reform represents an opportunity for Switzerland as a business location to increase its international attractiveness in another area. The withholding tax reform represents an opportunity for Switzerland as a business location to become more attractive internationally in another area and to eliminate one of its most important disadvantages as a headquarters location.</p> <p>SwissHoldings will strive to convince politicians from left to right of the advantages of the reform.</p>
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OECD/G20 project on taxation of the digital economy

<p>Current status</p>	<p>The project on the taxation of the digital economy aims to reform international corporate taxation. Under Pillar 1, large consumer goods and digital groups are to tax a larger share of their profits in the sales countries. Under Pillar 2, large companies should be subject to a minimum taxation in all their countries of operation. The work is carried out by the OECD Secretariat. Decisions on the project will be taken by the "OECD/G20 Inclusive Framework on BEPS" (IF), which comprises around 140 countries.</p> <p>On October 8 and 9 2020, the IF adopted the OECD report (Blueprint) with technical specifications for each of the two pillars. At the same time, a public hearing was started that lasted until December 14. Contrary to the original timetable, however, the IF was unable to reach agreement on many technical points. Also, no agreement has been made on the political points that are of real financial importance to the states and companies (e.g. the height of the minimum tax rate, Amount A parameters). The work of the OECD Secretariat will therefore be continued. According to the adjusted timetable, an agreement on the outstanding technical and political points should now be reached in mid-2021. In view of the numerous obstacles (e.g. Covid-19) and the great importance of the decisions still to be taken, the new timetable also appears extremely ambitious. Due to the divergent positions of numerous states, a failure of the project cannot be ruled out. If an agreement is to be reached by mid-2021, the project work should be completed in mid-May.</p> <p>The change of administration in the USA is likely to have a major impact on the new global tax rules. The Biden administration is said to have different ideas than the previous Trump administration on various key points. However, the details of these will not be known until the second half of March.</p>
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To Pillar 1:

Regardless of any changes in the position of the Biden administration, the OECD Secretariat is in the process of massively simplifying the far too complicated rules of the October 2020 Blueprint on Pillar 1. A simplified overview of these rules can be found in the latest update from December 2020. It is currently uncertain whether the OECD Secretariat dares to limit the new rules to digital corporations or exclusively to digital transactions. This would be appropriate (see [Editorial Gabriel Rumo](#), 16 February 2021). Furthermore, the UN has also become active and is planning to supplement all DTAs in emerging countries with a withholding tax provision on digital transactions. The inclusion of consumer goods companies in the Pillar 1 Blueprint leads to a huge administrative burden for tax administrations and companies. Moreover, consumer goods companies already make high tax payments in market states through their local distribution companies. However, such a restriction to digital corporations/digital transactions would mainly affect US companies and the US treasury. Whether the Biden administration can find a majority in the U.S. Senate for this, however, seems rather unlikely in view of the newly accumulated Corona debt. It is more plausible that the OECD Secretariat will impose further restrictions on consumer goods companies, for example in the form of higher limits.

However, if an agreement is reached on pillar 1, despite all the existing obstacles, it will be several years before the new taxation rules come into effect globally. Thus, the implementation of pillar 1 needs (i) a multilateral agreement, (ii) globally applicable detailed guidelines (OECD guidelines) and (iii) adjustments to national law. All these steps require several years of preparation and the measures must be introduced globally at the same time (e.g. 1 January 2026). In return for the additional tax payments to market states, unilateral measures such as the current Digital Service Taxes should be abolished.

To Pillar 2:

Work on pillar 2 (minimum taxation) has progressed considerably further. An agreement by mid-2021 seems realistic. However, here too, the influence of the Biden administration could lead to some significant changes, but these are not yet known in detail. The biggest fear is that the previously discussed minimum tax rate of 12.5% could be significantly increased, which could have a major impact on Switzerland's competitiveness.

While the OECD work on pillar 1 is still somewhat stalled, it is already back in full swing on Pillar 2 following the public hearing. Since no major technical adjustments are to be expected in this area compared to the Pillar 2 Blueprint, the following technical explanations continue to be based on the October 2020 Pillar 2 Blueprint.

Pillar 2 provides for the introduction of a number of complementary rules for large international groups:

- Income inclusion rule (IIR)
- Undertaxed payments rule (UPR)
- Subject to tax rule (STTR)

Together, these so-called Global Anti-Base Erosion Rules (GloBE) are intended to ensure that all covered groups (at least 750 million euros turnover) pay a minimum level of profit tax in all countries. The states are not obliged to comply with a certain minimum tax rate in their tax laws. If a group company has a lower Effective Tax Rate (ETR) in one state, another state (e.g.



the head office state) can tax the difference to the minimum tax rate either by applying the IIR or the UPR. If the ETR in the Headquarters State is too low, the UPR is applied, according to which many other States with subsidiaries and economic relations between subsidiaries and affiliates may tax the difference to the minimum tax rate in the Headquarters State (so-called top-up tax). Although not included in the Blueprint, a minimum tax rate of 12.5% is mentioned in discussions as a minimum rate that is acceptable to the majority. This minimum tax rate would thus be higher than most cantonal minimum profit tax rates and would thus de facto lead to a tax increase for groups and group companies' residing in Switzerland.

Since a minimum taxation concept has already been introduced in the USA as part of the US tax reform by way of the GILTI rules, the Trump administration demanded that US corporations be exempted from the application of the GloBE rules. This special treatment for the U.S. was controversial, but has so far been accepted as a necessary concession to the U.S. While GloBE provides jurisdictional blending, where the minimum taxation test takes place at the country level, the US GILTI represents global blending, i.e. a global test. According to the latest information, the Biden administration could change its position here. According to reports, the USA is now also to change to GLOBE and jurisdictional blending.

The starting point for the ETR calculation at national level is the aggregation of all financial statements of the companies in a given country. This is not based on the statutory individual financial statements of a national company, but on the consolidated financial statements of the respective national company in accordance with the accounting standard that the Group uses for its consolidated financial statements. Taxes on capital are also likely to be included in the tax base. The accounting standard accepted for GloBE purposes is in principle any accounting standard recognized as acceptable by the authorities at the Group's headquarters, provided that its application does not lead to a material impediment to competition. IFRS and US GAAP are defined as an appropriate accounting standard. Swiss GAAP FER, on the other hand, will probably not be recognized as adequate without further adjustments. Certain permanent differences between the profit according to (local) tax assessment rules and the profit according to (global) financial accounting standards have to be eliminated (e.g. dividends, gains and losses from the sale of investments). Other adjustments to the accounting rules or the planned simplifications are not elaborated further in this paper.

The minimum tax rate can be undercut by the amount of a carve-out. This carve-out takes into account personnel costs and tangible assets in the country of the national company. This is intended to create incentives for groups with physical substance. However, intangible assets such as self-created product patents are not taken into account. The effectiveness of this carve-out according to current plans is limited and does not even release the profit for routine activities. A carve-out for research and development costs or for the patent box is not foreseen and does not appear to be capable of gaining a majority. This at least calls into question the measures implemented as part of the Swiss tax reform.

The STTR applies to payments based on a DTA and allows the source state to take countermeasures in case the payments are taxed below a certain level in the recipient state. The minimum level is expected to be between 7-9%. With the introduction of tax proposal 17, the STTR should no longer be a major obstacle for Switzerland. The STTR is primarily a concession to developing countries.



	<p>Pillar 2 leads to a restriction of international tax competition. Particularly affected are offshore states, states with tax holidays, patent boxes or particularly advantageous tax regimes that allow effective tax rates that are below the minimum tax rate. If the Biden administration does not change its position on GILTI, US corporations would not be affected by these new rules because of the acceptance of the GILTI rules as a similar minimum tax regime. In this case, they could continue to benefit from very low tax rates (e.g. 0-5%) in selected countries (as long as the GILTI rules of the USA are complied with). Overall, other (less transparent) factors (e.g. subsidies) are gaining importance in the competition for companies.</p> <p>The central rules of Pillar 2 do not in principle constitute a breach of the applicable provisions in the DTAs, which is why a multilateral agreement does not appear necessary for implementation. An agreement on Pillar 2 would rather be seen as a new global minimum standard. Moreover, the GloBE rules are outside the applicable legal security mechanisms and can therefore be introduced unilaterally by states. This means that Pillar 2 could be implemented much more rapidly than Pillar 1. For example, the EU Commission would like to implement the GloBE rules as early as 2023, perhaps even earlier, or impose them on all other countries.</p>
<p>Outlook</p>	<p>With the Biden administration taking office, the chances of successfully completing the digital taxation project have increased. This is fundamentally good for Switzerland. Global uniform standards instead of a jungle of different standards in a multitude of countries are also in Switzerland's interest. The Swiss economy and Switzerland have no interest in the failure of the taxation of the digitalized economy project. We are dependent on our companies being able to supply their products and services to a large number of countries with as few restrictions as possible. Swiss corporations are also becoming increasingly digital. If the project fails, the introduction of Digital Service Taxes and/or unilateral minimum taxation rules - possibly with withholding taxes - in a large number of countries is imminent. The Digital Service Taxes, which differ greatly in material terms, will initially affect primarily the US digital groups and the USA. As digitization progresses, a growing number of Swiss companies are also likely to be affected by such taxes.</p> <p>The main concern for Switzerland in the coming months is therefore to limit the scope of harmful new rules and their economic consequences as far as possible, and to reduce the administrative burden on companies to a tolerable level. There is also still considerable potential for improvement in the measures to improve legal certainty.</p> <p>In the event of global support for this reform package, Switzerland must adapt quickly to the new rules and take advantage of the opportunities they present. In other words, we must act in a similar way as to the BEPS project, which was completed in 2015. However, we are likely to have less time for decision-making. Thanks to the AHV Tax reform with the new special measures (patent box, input deduction) and the parallel cantonal profit tax cuts, the BEPS project, has brought Switzerland more advantages than disadvantages.</p> <p>With regard to Pillar 1, it is of central importance for Switzerland which companies are considered to be digitally or consumer oriented. Switzerland should press for these new rules to apply primarily to digital companies. In the October 2020 blueprint, the OECD specifically addresses the pharmaceutical industry, which is a strong economic sector in Switzerland. Switzerland should therefore try to influence the definition of companies covered by</p>



Pillar 1 in its favor. In terms of taxation, it would be appropriate to focus on digital corporations and digital transactions.

As an innovation-oriented country with a strong research and development base, Swiss corporations and group companies are likely to generate residual profits more frequently, which according to Pillar 1 must be shared with large sales market countries. In the interest of Switzerland as a research location, a moderate redistribution in favor of the markets should be targeted.

With the Pillar 2 work, it is crucial that the minimum tax rate be moderate. Here, there is a risk that the Biden administration, together with selected EU countries such as Germany or France, will seek a substantial increase in the minimum tax rate. From a scientific point of view, profit taxes are detrimental to growth and job creation. Especially against the background of the Corona recession, it would be dangerous to adopt such high minimum tax rates and eliminate competition. Switzerland must join like-minded countries in vehemently opposing minimum tax rates of over 13 percent. If, however, a higher minimum tax rate is adopted, an effective carve-out for research activities and intangible assets is indispensable. Currently, this is not the case.

Should the IF States take a decision for Pillar 2, Switzerland should adopt the Pillar 2 rules. Furthermore, an additional taxation at cantonal level for Swiss corporations should be examined in order to prevent the application of the UPR. Otherwise, a further tax reform seems unavoidable if Switzerland wants to keep the tax base in Switzerland. Even if Switzerland's attractiveness as a business location will suffer with the introduction of Pillar 2, there is no alternative to implementing these rules for both Switzerland and Swiss companies. Standing aside would have serious financial and competitive disadvantages.

Depending on the level and calculation of the minimum tax rate, it may be necessary to carry out an analysis of how Switzerland should react to the changed conditions of international tax competition. At the very least, the abolition of the emissions levy and certain minor improvements in the participation deduction should be envisaged. With a minimum tax rate of 13% or more, further measures to maintain the attractiveness of the location should be targeted. If Switzerland were to behave cleverly, it could benefit financially and economically from the reform.

Both Pillar 1 and Pillar 2 are enormously costly for the companies. The simplifications planned so far are insufficient and must be improved in the coming months. The additional compliance requirements will result in considerable additional costs for corporations, which should be reduced to a minimum. The planned measures for legal certainty are welcome, but if they take up to 3 years, enormous legal uncertainty will remain over this period. Here, Switzerland should insist on pragmatic and simplified regulations that lead to simple processes in implementation and rapid legal certainty.

Given the importance of the project for the member companies and Switzerland, SwissHoldings continues to actively support the work on the project.



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 one of the biggest export and import markets for the EU. 70% of Swiss imports come from the EU and 52% of Swiss exports go to the EU. SwissHoldings member companies are also strongly interconnected with the EU. At the end of 2018, member companies' direct investments in the EU amounted to CHF 541 billion. This represents 36% of all direct investments abroad by SwissHoldings member companies.</p> <p>Accordingly, the relationship between Switzerland and the EU is important for the Swiss economy. Switzerland is pursuing a bilateral approach. Starting with the free trade agreement concluded in 1972, Switzerland has established a dense and constantly evolving network of agreements with the EU. Particularly significant are the Bilateral agreements I and II, 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 advantages to our country. However, the EU has made further developments of the network of agreements conditional on clarification of the institutional framework. To this end, the two parties have negotiated an institutional agreement. The Federal Council held a broad consultation on the text of the agreement in 2019.</p>
<p>Outlook</p>	<p>The Federal Council considers the draft text to be in Switzerland's interest in principle. At the same time, the Federal Council opines that the institutional agreement in its current form would not gain majority support in domestic politics. It is therefore demanding clarification from the EU Commission in three areas which it considers critical: EU Citizenship Directive (UBRL), state aid and wage protection. In November 2020, the Federal Council defined its position and initiated contact with the EU.</p> <p>For the member companies of SwissHoldings, access to the EU internal market is of central importance. Accordingly, the proven bilateral approach must be continued and placed on a solid long-term basis.</p>



Abolition of industrial tariffs

<p>Current status</p>	<p>The present revision of the Customs Tariff Act is intended to set customs duties on industrial products at zero. For the purposes of this proposal, the term “industrial products” covers all goods with the exception of agricultural products (including animal feed) and fishery products. In addition to abolishing customs duties, the bill also aims to simplify the tariff structure for industrial products. The planned simplification of the customs tariff structure will reduce the number of tariff headings in the industrial sector from the current 6172 to 4592. The proposal is part of the package of "import facilitation" measures, in the fight against Switzerland as a high-price island.</p> <p>On 27 November 2019, the Federal Council approved the dispatch on the Customs Tariff Act for the attention of parliament. The National Council, as the first chamber of parliament, rejected the bill by 108 votes to 83 in the 2020 summer session. In the autumn session, the Council of States approved the bill by 29 votes to 14. The WAK-S followed the draft of the Federal Council in its detailed consultation. The Council of States followed on 2 December in the overall vote with 28 to 14 votes with one abstention the Committee’s decision. Due to the different positions of the two councils, the WAK-N demands further clarifications from the administration, including questions about the partial abolition of industrial tariffs and border adjustment systems.</p>
<p>Outlook</p>	<p>Swiss customs duties have grown historically and were introduced in order to protect industry. Today, the Swiss industry no longer needs these protective tariffs. Rather, local companies are dependent on being able to import on good terms. With an average tariff rate of 1.8%, the majority of the tariffs can be considered a “nuisance tariff” in accordance with the 3% limit used during the Uruguay Round of the WTO. For many of the tariff headings, tariffs are too low to have a protective effect and the administrative costs often exceed the revenue.</p> <p>The historically developed tariff structure for industrial tariffs is also extremely complex. It comprises 6172 tariff numbers. This makes companies’ customs declarations very costly and time-consuming. Simplification can hardly be achieved without abolishing industrial tariffs, as new tariffs would have to be established for all merged tariff headings and, if necessary, negotiated with the WTO.</p> <p>SwissHoldings welcomes import facilitation and the further opening of the Swiss market, because the member companies of SwissHoldings are strongly intertwined with the global value chains and depend on imports from abroad. A liberal trade policy with the greatest possible renunciation of restrictions on the free movement of goods is essential for the prosperity of our economy. Our association will closely monitor the bill in the further parliamentary process.</p>



Free trade agreements

<p>Current status</p>	<p>The Swiss economy has a strong global orientation and is therefore dependent on international trade and international investment activities. The constant improvement of access to foreign markets has therefore been and still is a focus of Swiss foreign policy. This is achieved, among other things, by free trade agreements with third countries. Switzerland has a network of 31 free trade agreements with 41 partners worldwide and is currently negotiating 7 free trade agreements, namely with Chile, India, Malaysia, Mercosur, Mexico, SACU, and Vietnam. In addition, Parliament approved the Free Trade Agreement with Indonesia in December 2019.</p> <p>In recent years, the criticism over globalization has become louder and free trade agreements are increasingly criticized. In particular, concerns relating to sustainable development goals (SDGs) and climate targets have further fueled protectionist tendencies. In light of these developments, discussions about the sustainability of free trade agreements have increased.</p> <p>As a part of this discussion, a referendum was initiated against the Free Trade Agreement with Indonesia. This could be achieved by 1 July 2020. The vote on the agreement will take place on 7 March 2021. The latest Vox poll shows a narrow Yes trend. 52 percent of those willing to participate in the vote would definitely vote yes or are likely to vote yes in favor of the agreement. The survey also shows that many people have not yet finished forming their opinions. Seven percent of voters with a firm intention to participate in the vote are still undecided.</p>
<p>Outlook</p>	<p>The expansion of the free trade network is important for the export-oriented Swiss economy and the member companies of SwissHoldings. Free trade agreements provide privileged access to important markets and lead to more growth and prosperity in Switzerland. They also ensure that Swiss companies are not at a competitive disadvantage compared to companies in other countries. SwissHoldings thus supports the Federal Council's strategy of expanding and modernizing the network of free trade agreements and particularly welcomes the conclusion of the agreement with Indonesia. The referendum on this agreement is also groundbreaking as it is to be expected that future agreements, for example with Mercosur or Malaysia, could also lead to a referendum.</p> <p>Of course, SwissHoldings recognizes the importance of the sustainability aspects when negotiating free trade agreements. The chapter on "Sustainability and Trade" in the agreements provides a solid foundation for the promotion of sustainable development. More generally, it should not be neglected that intensified trade relations are themselves an important factor in promoting sustainable development. In addition to significant economic aspects, the improvement of the labor market and the associated social progress as well as the transfer of knowledge and technology play an important role. SwissHoldings will continue to support the important expansion of the Swiss network of free trade agreements.</p>



Investment Control

<p>Current status</p>	<p>In Switzerland, it is being discussed whether foreign direct investments in Swiss companies pose a threat.</p> <p>The Federal Council has already dealt with this question in detail in the "Cross-border investments and investment controls" report. The body opines that the introduction of an official control of direct investments at the present time would not bring any added value. Regardless of this position, both chambers of parliament voted in favour of the Motion Rieder. The motion instructs the Federal Council to draft a bill for introducing a screening mechanism for foreign direct investments in Swiss companies - among other things by appointing a licensing authority for the transactions subject to investment control. The focus is particularly on acquisitions and investments by companies from the dynamically growing emerging countries in infrastructures such as energy, transport, telecommunications, data storage, and financial infrastructure.</p> <p>The federal administration started working on the implementation of the motion. A consultation is expected in the second half of 2021.</p>
<p>Outlook</p>	<p>Switzerland is one of the largest direct investors in the world. Swiss companies had a capital stock of Fr. 1,445 billion abroad in 2019. The counterpart to this is the stock of Fr. 1,370 billion of foreign direct investment in Switzerland. The member companies of SwissHoldings are the largest direct investors in Switzerland. It is therefore a central concern of SwissHoldings that investment activity is maintained, and that Switzerland is not weakened as an investment location. This is all the more important as Covid-19 is likely to have triggered a sharp drop in the influx of foreign direct investment last year, according to initial estimates. At the same time, competition for foreign investment is intensifying. Switzerland is dependent on foreign investment for its growth and prosperity.</p> <p>A "tailor-made solution", as promised by the proponents of the bill during the Council debate, will probably prove difficult to put in practice. The basic principle is that investment controls should be targeted (i.e. focused on clearly defined objectives), efficient in implementation and administratively lean. An unnecessary administrative burden on companies should be avoided. Investors should also be granted the highest possible level of transparency and legal certainty.</p> <p>SwissHoldings will actively accompany the elaboration of the concrete draft law. Confidence in Switzerland as an open - but already not barrier-free investment location and in its liberal economic policy must be maintained.</p>



Corporate social responsibility

Corporate Responsibility Initiative

<p>Current status</p>	<p>The popular initiative was put to the vote on November 29, 2020. Economiesuisse was in the lead of the business campaign. SwissHoldings took accompanying measures to support the campaign. The initiative achieved a very narrow popular majority (50.7% of votes in favor) - but the bill was rejected thanks to having clearly missed the majority of Cantons (Cantonal vote results: 14.5 NO, 8.5 YES) with an average turnout of 46%.</p> <p>This paved the way for the indirect counterproposal to come into force - should the referendum not be called within 100 days after publication in the Federal Gazette. As a next step, the Federal Council will open a consultation procedure for the ordinance, which will specify the outstanding points of the counterproposal.</p>
<p>Outlook</p>	<p>From SwissHoldings' perspective, the objective remains unchanged. Namely, to ensure a targeted and internationally coordinated regulation regarding "Corporate Social Responsibility" for Switzerland. The entering into force of the counterproposal represents an important step in this direction. The Association will closely monitor the drafting of the regulation implementing the counterproposal.</p>

Sustainable Development Strategy 2030 / CSR Action Plans by the Federal Council

<p>Current status</p>	<p>With its "Sustainable Development 2030" strategy, the Federal Council shows how it intends to implement the 2030 Agenda for Sustainable Development over the next ten years. The strategy is now designed for ten years instead of the previous four. In doing so, the Federal Council anchors sustainable development as an important requirement for all policy areas of the Confederation. For the objectives and strategic directions for federal policy, the Federal Council has defined three priority themes: sustainable consumption and production, climate, energy, biodiversity, and equal opportunities. The strategy also sets out how the economy, the financial market, and the area of education, research, and innovation can drive sustainable development forward and what framework conditions are necessary to achieve this.</p> <p>At its meeting on November 4, 2020, the Federal Council opened a consultation on its strategy. The consultation lasted until February 18, 2021. SwissHoldings submitted a statement as part of this consultation.</p> <p>SwissHoldings also advocates for appropriate regulation in the area of corporate social responsibility. With its focus on international standards and best practices, the Federal Council's National Action Plan "Business and Human Rights" (NAP) and SECO's "CSR Position Paper" point in the right direction. On the important issue of corporate social responsibility, only an internationally coordinated approach can achieve the desired results.</p> <p>On 15 January 2020, the Federal Council approved the revised Action Plans 2020 - 2023 on corporate social responsibility and business and human rights. As early as December, the body announced the content and thrust of the revision of the NAP. The Federal Council is building on the results achieved so</p>
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	<p>far and will continue to support the companies with effective measures. This particularly includes the creation of support measures for the implementation of human rights due diligence (tools, guidelines, etc.) and cooperation with multi-stakeholder initiatives that can support SMEs in particular.</p> <p>The Federal Council has also revised its position paper and action plan on corporate social and environmental responsibility. From a new strategic perspective, the directions have been adapted towards a strengthened stakeholder dialogue and a focus on reviewing the implementation of CSR instruments and digitalization.</p>
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Accounting and reporting

IFRS Standards

<p>Current status</p>	<p>In the area of IFRS standards, the IASB did not adopt any new standards in the last quarter. Instead, the organization published numerous draft amendments for consultation. In addition to minor adjustments to standards, the draft with the proposed changes to the presentation and structure of financial statements should be highlighted in this context. For a long time, the IASB has been endeavouring to fundamentally reorganise the presentation of the main components of IFRS annual financial statements (balance sheet, income statement, and cash flow statement). Further proposals for revision concern the area of "Goodwill and Impairment". It is being examined if there are alternatives to the existing impairment model and whether the disclosures in the notes should be expanded. With regard to "Rate Regulated Activities", a new model is being developed, which should provide more detailed information on the practice determining a company's rate regulation. Last but not least, the two standards "Business Models under Common Control" and "Management Commentary" are also under discussion.</p> <p>Furthermore, the IFRS Foundation has published a consultation paper to consider whether the IASB should play a more active role in the development of global sustainability standards in the future. Particularly, the creation of a separate Sustainability Standards Board (SSB) is being discussed in this context.</p>
<p>Outlook</p>	<p>SwissHoldings will continue to actively follow the IFRS accounting developments. Our association continuously participates in the IASB consultations on draft standards. A comment letter on "Sustainability Reporting" was submitted at the end of December.</p>

Developments on EU level

<p>Current status</p>	<p>At EU level, the issue of sustainability is at the centre of public debate. As part of this debate, the European Commission has launched various initiatives.</p> <p>This includes the review of the non-financial reporting directive, on which the European Commission had held a public consultation in spring 2020.</p> <p>The focus is on whether an audit requirement should be introduced, whether the existing scope for selecting ESG aspects should be retained, to what extent a more detailed examination of climate and environment related factors should be required in future and whether the scope of the legislation should be enlarged to additional enterprises.</p> <p>Mandatory standards for non-financial reporting are a likely outcome of this review. A legislative proposal is expected by beginning of 2021.</p> <p>Additionally, the European Commission is currently looking into possible regulation in the area of sustainable corporate governance. It opened a consultation at the end of October 2020. A draft regulation is expected in the course of 2021.</p>
<p>Outlook</p>	<p>SwissHoldings will continue to follow this issue in particular through its participation in the relevant working group at BusinessEurope.</p>

Capital Markets

Economic Policy in the Corona Crisis: Assessments by SwissHoldings

<p>Current status</p>	<p>Tackling the coronavirus pandemic is having a huge impact on the economy. Combating the first wave has already posed enormous challenges for the economy. Current estimates suggest that GDP in Switzerland has fallen by 3.3 percentage points in 2020. This would be the sharpest decline since 1975, and without the broad-based support provided by the federal government and the cantons, the slump would have been even more severe.</p> <p>The second wave hit the economy hard in the winter half-year 2020/2021. A second lockdown was imposed from mid-January until at least the end of February. The State Secretariat for Economic Affairs (Seco) revised its forecasts for 2021 downwards in December. Due to the additional measures, the forecasts for 2021 are expected to further deteriorate.</p>
<p>Outlook</p>	<p>SwissHoldings closely observes current developments and is in close contact with its member companies as well as with representatives of parliament, the federal administration and other public institutions.</p>

Sustainable Finance

<p>Current status</p>	<p>The topic of "sustainable finance" gained importance alongside sustainable corporate management. Especially in the discourse surrounding the Paris Agreement, it became clear that private investors have an important role to play in stopping climate change. According to these considerations, the participation of private investors should ensure that market mechanisms support the most promising sustainable investments and thus allocate resources most effectively.</p> <p>In reality, sustainable financing has long reached the financial markets. The number of sustainable financial products has increased massively in recent years. A study by Swiss Sustainable Finance has shown that at the end of 2019, CHF 1'163 billion was invested in sustainable financial products - an increase of 62% compared with 2018.</p> <p>The issue has also reached the political level. In June 2019, the Federal Council set up an internal working group under the leadership of the State Secretariat for Financial Affairs on the topic of sustainable finance. On 24th of June 2020, The Federal Council has agreed on a report and guidelines on sustainability in the financial sector. The declared goal is to foster competitiveness of the Swiss financial market and contribute to sustainability. The report defines following focus areas: the systematic disclosure of relevant and comparable climate and environmental information of financial products, increasing legal certainty regarding fiduciary obligations respectively regarding the consideration of climate and environmental risks and effects, strengthening the awareness for climate and environmental risks and effects on issues relating to financial market stability and the observation of developments on international and particularly on EU level. The federal government wants to tackle these issues in collaboration with industry and additional interest groups.</p> <p>Various parliamentary initiatives have also been brought forward on the subject. These come from all parties except the SVP. While the FDP is committed to strengthening the Swiss financial center in the area of sustainable finance, the center-left parties are focusing more on the aspects of climate protection and how the sector can be regulated to promote sustainable investments.</p> <p>Sustainable finance is high on the agenda at EU level. The European Commission has presented an action plan for financing sustainable growth, which has already resulted in several legislative proposals, including the taxonomy. A delegated act to further specify the taxonomy is expected to be adopted by June 2021. In addition, the update of the Sustainable Finance Strategy and the regulation on non-financial reporting are currently under consideration. The European Commission is expected to present a draft in early 2021. At the international level, a number of organizations have also emerged to promote the development and standardization of the field.</p> <p>Developments in the area of sustainable financing also affect companies outside the financial sector. It is becoming increasingly important to demonstrate to investors that sustainability criteria are being met. If this cannot be achieved satisfactorily, there is a long-term risk of high capital costs.</p>
<p>Outlook</p>	<p>SwissHoldings welcomes the new role assigned to the economy in the area of climate protection and sustainable development. Markets distribute resources effectively so that the marginal benefit for ESG factors can be maximized.</p>



	The association will follow the current developments in this area and accompany corresponding regulatory initiatives.
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Monetary Policy SNB

<p>Current status</p>	<p>In these extraordinary times due to the "COVID 19" challenges, the Swiss National Bank (SNB) is increasingly coming into focus. At parliamentary level, various proposals were discussed with the aim of tying SNB distributions to certain purposes. In particular, the motion by National Councilor Alfred Heer aiming to allocate the income from negative interest rates directly to the AHV. The key to the distribution of profits - two-thirds for the cantons and one-third for the Confederation - is to be retained accordingly, but the negative interest is to be redistributed over the years from the Confederation's share at the expense of the AHV. This would reduce the federal share by the amount of the negative interest charged. Another motion by the WAK-N demands that the federal share of future SNB distributions be used directly to reduce the resulting Covid-19 debt. Both motions were accepted by the National Council. However, they still have to clear the hurdle in the Council of States.</p>
<p>Outlook</p>	<p>SwissHoldings will closely monitor ongoing developments. From the association's point of view, the National Bank's distribution practice to date has proven its worth. The organization is critical of any "politicization" or further earmarking of SNB profits.</p>

