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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><b>Current status</b></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 <b>main aim is to modernize merger control</b>. 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 <a href="#">link</a>).</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.</p>
<p><b>Outlook</b></p>	<p><b>The consultation is expected to be opened in the third or fourth quarter of 2021.</b> SwissHoldings accompanies the bill and will participate in the consultation process.</p>



## Motion Français 18.4282

<b>Current status</b>	Motion Français 18.4282 (cf. <a href="#">link</a> ) calls for the following: "In order to make legislation in the field of competition more effective and to reduce uncertainties regarding its application, the Federal Council is requested to clarify Article 5 of the Cartel Act. This amendment should make it possible to <b>determine the facts of an unlawful agreement to compete, taking into account both qualitative and quantitative criteria. SwissHoldings agrees</b> with the motion and supports the motion. <b>We accordingly welcome the fact that the Council of States adopted the motion in last winter's session.</b>
<b>Outlook</b>	The National Council's Committee for Economic Affairs and Taxation (WAK-N) will discuss the motion on 17 May 2021. We will continue to campaign for the approval of the motion.

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

<b>Current status / Outlook</b>	<p>The <b>federal popular initiative "Stop the high-price island - for fair prices"</b> was formally launched in January 2018. It aimed 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 recommended that the initiative is rejected. In August 2018, the Federal Council proposed that the "fair price" initiative be confronted with <b>an indirect counter-proposal</b>, 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 <a href="#">dispatch</a> on 29.5.2019.</p> <p>The National Council and the Council of States have meanwhile discussed the bill and rejected the initiative, but accepted the counter-proposal in the final vote. The counter-proposal takes up the initiative in essential points. The initiative committee had accordingly announced before the final vote that it would withdraw the Fair Price Initiative if Parliament accepted the counter-proposal in the final vote and there was no successful referendum.</p> <p>SwissHoldings regrets that the counter-proposal has been accepted.</p>
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## Corporate and capital market law

### Completed company law revision and recent upcoming minor revisions in corporate law

<p><b>Current status</b></p>	<p><b>Adoption of the company law revision:</b> After a very long history, the revision of the Stock Corporation Act was finally completed last summer. An essential part of the revision was the transfer of the ordinance against excessive remuneration into the law of obligations. 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><b>Effective Date:</b> 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><b>Outlook</b></p>	<p>Now that the corporate law revision has been completed, several upcoming law revisions are emerging.</p> <ul style="list-style-type: none"> <li>- <b>Commercial Register Ordinance:</b> 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 <a href="#">link</a>. SwissHoldings will participate in the consultation process.</li> <li>- <b>Ordinance on the counter-proposal to the Responsible Business Initiative:</b> The Federal Council opened the consultation on the ordinance to the counter-proposal to the Responsible Business Initiative on April 14, 2021. It will run until July 14, 2021. The proposal is being analyzed by SwissHoldings from both a CSR and a legal perspectives (cf. in particular the comments below in the section of the Department of Economy).</li> <li>- <b>Regulation on Proxy Advisors:</b> 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</li> </ul>

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.

- **Regulation in connection with the bill against abusive bankruptcies:** The bill aims to prevent debtors from abusing bankruptcy proceedings in order to discharge their obligations (bankruptcy riding) by means of various measures in the Code of Obligations, in debt enforcement and bankruptcy law and in criminal law. The bill also includes measures under stock corporation law. In particular, the Federal Council proposes to codify the case law on so-called shell company trading.

The bill has so far been discussed by the Council of States' Committee for Legal Affairs (RK-S) and is expected to come before the Council of States in the coming summer session. However, the finalized proposal with the decisions of the RK-S in detail is not yet available. From the SwissHoldings point of view, it is particularly important that the bill avoids the - possibly even unintentional - inclusion of provisions in the parliamentary process that would have a negative impact on members.

- **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.

SwissHoldings follows the developments in these areas and continues to actively promote the interests of its member companies in the area of corporate law.

## Parliamentary initiative 21.400 RK-NR "Temporarily extend permit requirement under Lex Koller to permanent establishment properties" and the Covid 19 Act

<p><b>Current status / outlook</b></p>	<p>The National Council's Legal Affairs Committee had drafted a parliamentary initiative which wanted to temporarily extend the permit requirement under Lex Koller (i.e. during a special situation pursuant to Article 6 of the Epidemics Act or an extraordinary situation pursuant to Article 7 of the Epidemics Act and for two years after the end of the special or extraordinary situation) to business premises properties.</p> <p>The content of the initiative was then also included in revision of the Covid-19 Act, which was discussed in the previous spring session.</p> <p>SwissHoldings spoke out firmly against the initiative as well as the proposal, which was identical in certain elements, and opposed it. <b>We therefore welcome the fact that both the initiative and the provision in the Covid 19 Act were ultimately rejected and are now off the table.</b></p>
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## This year's proposal in the Covid-19 bill regarding a dividend ban in case of short time working

<p><b>Current status / outlook</b></p>	<p><b>Last year</b>, a ban on dividend payments in the event of short-time working was discussed in parliament, which was subsequently rejected and not included in the legislation, which SwissHoldings very much welcomes.</p> <p>Also <b>this year</b>, there was a corresponding proposal for a dividend ban in the case of short-time work, which was also briefly taken up by the press: This time, however, it was only a minority proposal in the National Council's preliminary committee (Committee for Economic Affairs and Taxation WAK-N), which was then rejected by the National Council and should therefore be off the table again, which SwissHoldings very much welcomes.</p>
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## Compliance

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

<p><b>Current status</b></p>	<p>The constantly increasing compliance burden, including non-financial companies, forces them to constantly expand their company-wide compliance systems and to review their efficiency. In English-speaking working group meetings, the various compliance management systems of the different member companies are presented and discussed. Other topics relevant to the member companies (such as the EU Whistleblowing Directive and its impact on Switzerland and multinational companies in the most recent meeting) are also discussed.</p>
<p><b>Outlook</b></p>	<p>SwissHoldings will continue to promote the mutual exchange between the member companies.</p>

### Code of Civil Procedure Revision- Collective Redress – Legal professional privilege for Inhouse Counsel

<p><b>Current status / Outlook</b></p>	<p>In 2018, a <b>consultation</b> to amend the Code of Civil Procedure was carried out. It particularly concerned the reduction of cost barriers, collective legal protection, and the implementation of the Markwalder parliamentary initiative (16.409) for the right to refuse to testify and disclose for employees in internal legal services.</p> <p>The Federal Council then presented its <b>dispatch</b> on the revision of the CCP on 26 February 2020 (see <a href="#">link to the media release</a> and to the dispatch and the Federal Council's draft). It decided to remove collective redress from the draft and to deal with it separately at a later date. It also decided to retain the provision on the protection of professional secrecy for in-house lawyers in the Federal Council's draft.</p> <p>The bill then went to the <b>preliminary advisory committee of the Council of States</b> (Committee for Legal Affairs of the Council of States, RK-S), <b>which discussed the bill through last 13 April 2021.</b></p> <p>SwissHoldings has for a long time already campaigned against the instruments of collective redress and very actively for the introduction of professional secrecy for Inhouse Counsel in its version of the Federal Council. The bill will now go to the Council of States in the summer session. The positioning of SwissHoldings in detail on the resolutions of the RK-S with regard to this will be available on the website of SwissHoldings.</p>
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## Data protection

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

<p><b>Current status</b></p>	<p><b>Data Protection Act:</b> 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><b>Ordinances:</b> The adopted law is followed by the enactment of the ordinance(s). The consultation is scheduled for June 2021.</p> <p><b>Equivalence decision by the EU:</b> 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><b>Schrems II decision:</b> The decision mainly determines the following:</p> <ul style="list-style-type: none"> <li>- EU-US Privacy Shield is void with immediate effect.</li> <li>- Standard contract clauses are still valid under increased conditions.</li> </ul> <p>The decision leads increased legal uncertainty.</p>
<p><b>Outlook</b></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

On 15 April, the Federal Council passed the bill on the withholding tax reform on interest on debt capital. The bill essentially provides that, in order to strengthen the Swiss debt capital market, the levying of withholding tax on Swiss bonds is to be waived. Only interest on Swiss bank accounts held by natural persons domiciled in Switzerland should continue to be subject to withholding tax. The static revenue shortfall of the reform amounts to CHF 170 million (federal government and cantons). In addition, in order to strengthen the Swiss capital market, the levying of sales tax on Swiss bonds will be waived, which will result in a static revenue shortfall of CHF 25 million, which will accrue exclusively to the Confederation. There is a temporary effect of CHF 1 billion that has no impact on the budget, but for which provisions had to be made long ago. In other words, the Confederation and the cantons could not simply save a billion francs by abandoning the reform. The Dispatch does not include SwissHoldings' request to adjust the participation deduction for financing activities. Overall, the Federal Council believes that the reform has an attractive cost-benefit ratio. For the Confederation, the loss of revenue should be offset within five years. For the cantons and municipalities, additional revenue should result much sooner (Dispatch p. 3).

On 17. May, the parliamentary discussion of the bill will begin with a hearing by the Economic Affairs and Taxation Committees (WAK/EATC) of the National Council. It is already evident from the business associations invited to the hearing that the reform is mainly seen as a "bank bill", which, however, is wrong. The withholding tax reform is a reform for medium-sized and large Swiss industrial companies. Insurance companies and other service providers also directly benefit from the reform. Swiss banks, on the other hand, only benefit indirectly from the bill, which is why they prefer other reforms such as the abolition of sales tax. Unlike most other tax reforms supported by the business community, the withholding tax reform is not a tax-cut bill. SwissHoldings member companies will not pay less profit, capital or other taxes in Switzerland due to the reform. On the contrary: our companies, which are already the most important taxpayers in Switzerland, will pay more domestic taxes in Switzerland due to the reform. They will relocate their activities from abroad, especially from the Netherlands, Belgium, and Luxembourg, to Switzerland and pay the associated taxes in Switzerland in the future. If, on the other hand, the reform fails, companies will likely have to strengthen the substance (personnel, functions, capital) of their foreign finance companies based on the OECD BEPS requirements. In many cases, this will be at the expense of their Swiss assets. These circumstances make the withholding tax reform currently the most important internal tax proposal for SwissHoldings' industrial and service companies.

Why companies need the reform: Bonds issued directly by Swiss companies in Switzerland or abroad have the withholding tax deduction of 35% on the interest. International investors hardly ever buy bonds where only 65% of the interest is transferred immediately and the remaining 35% must be reclaimed

via a laborious and lengthy procedure. The current legal situation and the resulting insignificant Swiss capital market are forcing the larger Swiss companies to raise foreign capital abroad. For this reason, Swiss companies must set up subsidiaries abroad (usually finance companies) and issue bonds through them. In return, the Swiss parent company provides a guarantee to the foreign finance company. The funds raised are then passed on by the foreign finance company to the other operating subsidiaries. Swiss companies and thus Swiss jobs may only be marginally financed with funds from such foreign bonds. In principle, foreign bonds may only finance jobs and activities abroad, but not those in Switzerland.

The issuance of foreign bonds through foreign finance companies is becoming less and less accepted internationally (OECD BEPS). Insubstantial foreign finance companies with guarantees are met with skepticism by individual countries. If the withholding tax reform succeeds, Swiss companies will quickly relocate their financing activities to their Swiss headquarters and in the future, issue their bonds primarily from Switzerland. The funds raised will then be passed on by the Swiss company in the form of loans to the company's domestic and foreign operating subsidiaries. It goes without saying that there are certainly (taxable) profits associated with such activity.

The strengthening of the Swiss capital market is helping various sections of the economy: Thanks to the reform, Swiss companies can offer international investors bonds without the 35% deduction on the interest. In the future, medium-sized Swiss companies will also be able to issue bonds without the tax deduction, making their bonds more attractive to international investors and lower interest rates. Propitious bonds will become more attractive for medium-sized companies compared to more expensive bank loans (US model). When issuing bonds, Swiss industrial companies are supported by Swiss banks, which is why they also benefit. The federal government, cantons, and municipalities can also offer their bonds to international investors without the tax deduction and benefit from lower interest rates. The Swiss capital market will therefore be massively strengthened, and the Swiss economy will grow (approx. 0.5 %). The withholding tax reform therefore stands for economic growth, additional revenues, as well as reduced expenditures for the federal government, cantons, and municipalities. Compared to other tax reforms, the reform has an excellent cost-benefit ratio.

No risk to high withholding tax revenues: Withholding tax is an important source of revenue for the federal government (approx. 10 bn in 2019; only 5.2 bn in 2020 due to Corona special effects). 98% of the revenue comes from withholding tax on dividends (mainly from foreign shareholders of large Swiss corporations). The reform exclusively deals with withholding tax on interest on debt, which is why the high revenues remain unaffected by the reform. The fact that withholding tax on interest hardly generates any revenue for the Confederation is due to the fact that Swiss bonds are mainly purchased by taxpayers who declare the interest in their tax return and take on the costly refund procedure. Other taxpayers buy foreign bonds without tax deductions. In other words, the current tax security in the interest rate domain is useless.

The hurdle of the reform: The security function of the withholding tax in the area of interest is likely to be the bone of contention. In the consultation draft, the Federal Council presented a proposal that, in addition to economic growth, also provided for a marked improvement in tax security and thus in combating tax evasion of investment income. At the same time, the proposal respected financial privacy and fiscal banking secrecy. On closer examination, however, it emerged that the proposal not only had significant technical shortcomings, but also accrued major costs. The costs of the proposed tax



	<p>security would have been many times higher for the banks, who would have had to carry out safeguard measures, than the safeguarded tax revenues of the treasury.</p> <p>Apart from normal bank accounts, the Dispatch does not provide tax security. Should a safeguard be desired politically, various options are available. However, all solutions have considerable problems. Comprehensive deduction systems, such as that of the consultation draft, are associated with enormously high costs in relation to the potential loss of revenue for the Confederation of CHF 10 million (Dispatch p. 39) and should only be economically justified if the interest on borrowed capital is significantly higher. With the introduction of a comprehensive automatic exchange of bank information on domestic banking data, the withholding tax on dividends would lose its raison-d'être. After all, Switzerland does not need two backup security systems, namely a reporting procedure (AEOI) and a withholding procedure. Particularly, the withholding tax on foreign dividends would have to be reduced in this case from 35% to the ordinary DTA residual rate of 15%. However, this would result in a reduction in revenue for the Confederation (90%) and the cantons (10%) totaling CHF 1.6 billion. This revenue comes almost exclusively from foreign shareholders of major Swiss companies such as Nestlé, Novartis, Roche, and others (Dispatch p. 14).</p> <p><u>Need for improvement in the participation deduction:</u> Unfortunately, the Federal Council has refrained from proposing to also eliminate the deficiency in the participation deduction. Eliminating the deficiency is a condition for the expected positive effects of the reform to fully materialize. It enables the Swiss parent companies themselves to issue bonds to the capital market and to pass on the funds raised without tax disadvantages to domestic and foreign subsidiaries (no need for an intermediary Swiss finance company with little substance). Without adjustment of the participation deduction, the parent companies suffer double taxation because of issuing the bond and passing on the funds raised in the form of loans. The costs of correcting the deficiencies amount to CHF 80 million for the Confederation and CHF 50 million for the cantons. We estimate that the shortfall in revenue should be offset within 2-3 years due to the relocation of activities to Switzerland.</p>
<p><b>Outlook</b></p>	<p>As mentioned, the elimination of withholding tax obstacles for debt financing activities is currently the most important Swiss tax project for our member companies. Due to the transfer pricing guidelines for financing activities presented by the OECD in 2020, the importance and urgency of the reform has even increased for Swiss groups. For SwissHoldings, it is therefore crucial that the reform is to be swiftly driven forward. For the reform to succeed and to avoid protracted disputes, it is important for the business community to adopt positions that are as similar as possible and that enjoy political majority support. Our efforts should focus on the numerous advantages of this reform for Switzerland as a business location, but also for the federal government, cantons, and municipalities.</p> <p>The hurdle of the reform is likely to be tax security. Parliament, as the Federal Council before it, is likely to want to thoroughly examine all security options such as a deduction on domestic and foreign bonds or a reporting procedure. The business community should support these efforts. The discussion about fiscal banking secrecy and financial privacy protection, will also pick up speed again. Whether Parliament decides in favor of a reporting procedure or a deduction system should not be of concern to SwissHoldings. As legal entities, our member companies must upon request, hand over all the supporting documents and information necessary for correct assessment, including bank</p>



records., to the Swiss tax authorities. In AEOI countries, our companies' bank details are already reported to the tax authorities, which does not pose a problem for the companies. We need to focus our concern on removing the withholding tax obstacles for debt financing activities (including the adjustment of the participation deduction). If Parliament decides in favor of a more far-reaching deduction procedure, our member companies will not have to take on any tasks or bear any costs. However, if Parliament decides in favor of a comprehensive reporting procedure (AEOI), we will point out that in this case the withholding tax on dividends, which is detrimental to our companies, will have to be reduced from 35% to 15%. If Parliament wishes to introduce a comprehensive withholding system, we will have to point out the associated costs for the banks concerned.

For us, the most important adjustment to the Federal Council's proposal must be the elimination of the deficiency in the participation deduction. This improvement is crucial for us. For the TBTF banks, this deficiency was remedied by parliament in 2018. In view of the limited shortfall in revenue and the enormously high tax payments of our affected companies, they must not be discriminated against.

The withholding tax reform on interest on borrowed capital represents an opportunity for Switzerland as a business location to gain more international attractiveness in other areas and to eliminate one of its most important disadvantages as a headquarters location. SwissHoldings will endeavor to convince politicians from left to right of the advantages of the reform.

## OECD/G20 project on taxation of the digital economy

### Current status

The project on the taxation of the digital economy aims to adapt international corporate taxation. Under Pillar 1, large digital and other corporations are to pay tax on a larger share of their profits in the countries where they sell their products. Under Pillar 2, large companies are to be subject to minimum taxation in all the countries in which they operate. The work is being carried out by the OECD Secretariat. The project is decided by the "OECD/G20 Inclusive Framework on BEPS" (IF), which includes around 140 countries.

At the beginning of October 2020, the IF adopted a report (Blueprint) written by the OECD with technical specifications for each of the two pillars. At the same time, a public hearing was held until mid-December 2020. Contrary to the original schedule, however, the IF was unable to reach agreement on many technical points. Nor was it possible to present an agreement on the policy points that are of financial significance for the countries and companies (e.g. the level of the minimum tax rate, parameter amount A). The OECD Secretariat's project work therefore continued from February 2021 with the aim of simplifying the proposals, which were technically far too complex, and presenting an agreement by mid-2021. However, the OECD Secretariat was unable to demonstrate how the major differences of opinion among the states involved were to be bridged.

The OECD project, on the other hand, is receiving strong support from the new US administration under President Biden. To finance improvements to the US infrastructure and various new social projects, he wants to significantly increase corporate taxes in the US and eliminate numerous business-friendly special rules. To ensure that the tax increases do not end in an economic and financial fiasco for the US, the new international Pillar 1 and Pillar 2 rules must be aligned with the US plans (and not vice versa). Most im-



portant for this is the introduction of the highest possible international minimum tax rates (Pillar 2). If US companies are not to be disadvantaged in international competition, the location factor "low corporate taxes" and thus tax competition must be massively restricted from the US perspective. If, in the context of "America first", US but also European or Asian companies are encouraged to set up factories and research facilities in the USA again, factors other than attractive corporate taxes must be the decisive factor in the competition for locations. The factors used by the US in this regard include, in particular, a wide variety of aid/subsidies for the creation and maintenance of research and production jobs or the waiver of government claims (e.g. social security contributions). In contrast, such instruments are largely frowned upon in Switzerland and are rarely used.

At the beginning of April, the Biden administration presented [its plans for the digital taxation project](#) to the countries of the Inclusive Framework. Not surprisingly, the US stressed the importance of minimum taxes (Pillar 2) to limit what it sees as ruinous international tax competition (race to the bottom). The US would prefer a minimum tax rate at the level of its own planned minimum tax rate of 21 percent. Currently, this rate is still just above 10 percent. At the same time, however, the US has stated that it does not want to use the rules of Pillar 2 itself. Under Pillar 1, the US presented a new proposal. As was to be expected, this proposal is strongly tailored to US interests. Contrary to the plans of the OECD in the Blueprint, the redistribution to the market states via the so-called Amount A is no longer to be limited to large companies with "Automated Digital Services" or "Consumer Facing Businesses". Only the very largest and most profitable corporations in the world should now have to pay the Amount A, which should then be distributed to the market states of the company. According to reports, the focus is currently on companies with sales of at least 20 billion euros and an EBIT margin of at least 20 percent. A total of 100 billion euros in profit tax substrate is to be redistributed from these companies to their market states. According to reports, the digital groups are to contribute a share of (only) around 35 percent. The lion's share is to come from traditional industrial groups, which already make substantial tax payments via their sales companies in the market states. These include, of course, Swiss corporations such as Nestlé, Novartis and Roche, but also numerous other European corporations such as Volkswagen, SAP and the French luxury goods groups. Part of the US proposal is, of course, also the condition that the Digital Service Taxes planned or already introduced by many states be abolished again. This raises the question of how the EU Digital Levy will proceed. Currently, the US proposal is being intensively discussed by the OECD.

#### To Pillar 1:

Since the US proposal entails various significant adjustments to the Pillar 1 Blueprint from October 2020, we will refrain from explaining the most important technical parameters. In any case, the OECD is in the process of massively simplifying the far too complicated rules of the Blueprint in parallel with the treatment of the new US proposal.

If an agreement is reached on Pillar 1, it will be several years before the new taxation rules come into effect globally. The implementation of Pillar 1 requires (i.) a multilateral agreement, (ii.) globally applicable detailed guidance (OECD Guidance) and (iii.) adjustments to domestic law. All these steps need several years of preparation and the measures must be introduced globally at the same time (e.g. 1 January 2026).

#### To Pillar 2:

The OECD's work on Pillar 2 (minimum taxation) is significantly advanced. An agreement by mid-2021 seems possible here. However, the new US administration in particular is unlikely to be interested in an agreement by October. If the US tax reform succeeds, the US is likely to want to impose even higher minimum taxes than the 15 percent currently under discussion at the global level.

As no major technical adjustments are expected in Pillar 2 compared to the Blueprint, the following technical explanations are still based on the Pillar 2 Blueprint of October 2020. The most important issue currently under discussion in Pillar 2 is whether to switch from the complicated carry-forward approach to the deferred tax accounting approach.

Pillar 2 provides for the introduction of a set 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 affected corporations (with a minimum turnover of 750 million euros) pay a minimum amount of profit tax in all states. 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 country of headquarters) can tax the difference to the minimum tax rate using either the IIR or the UTPR. If the head office state has an ETR that is too low, the UTPR applies, according to which many other states with group subsidiaries and economic relationships between subsidiaries and group companies in the head office state may tax the difference at the minimum tax rate (so-called top-up tax). Currently, a minimum tax rate of 15 percent is often mentioned in discussions. This minimum tax rate would be significantly higher than most of the cantonal minimum profit tax rates and would thus in fact lead to a substantial tax increase for groups and group companies based in Switzerland.

Since a minimum taxation concept had already been introduced in the US as a part of the US tax reform in the form of GILTI rules, the previous Trump administration demanded that US corporations be exempted from the application of the GloBE rules. This special treatment for the US was controversial, but has so far been accepted as a necessary concession to the US. The Biden administration also wants to hold on to this exemption. At the same time, the Biden administration wants to make substantial adjustments to US-GILTI. As with GloBE, where the minimum tax test is applied at the country level, such "jurisdictional blending" is also to be applied to US-GILTI in future. The US minimum tax rate is to be set at 21 percent. However, the tax base of GloBE and that of the planned new GILTI regime differ. According to experts, the GloBE rate must therefore be lower than the GILTI rate to ensure a level playing field.

The starting point for the ETR calculation at country level is the aggregation of all income statements of the companies included in the consolidated financial statements in a particular country. This is not based on the individual statutory financial statements of a national company, but on the financial statements for the consolidated financial statements of the national company concerned in accordance with the accounting standard used by the Group for its consolidated financial statements. Capital taxes are presumably also included in the tax base. The accounting standard recognized for



	<p>GloBE purposes is generally any accounting standard recognized as acceptable by the authority of the Group's domicile, provided that its application does not result in a material impediment to competition. IFRS and US GAAP are defined as an adequate accounting standard. Swiss GAAP FER, on the other hand, will probably not be recognized as adequate without further adjustment calculations. Certain permanent differences between the profit according to (local) tax rules and the profit according to (global) financial accounting rules have to be eliminated (e.g. dividends, gains and losses on sales of investments). Further explanations of other adjustments to the accounting rules as well as the planned simplifications are not provided here. These are also currently being discussed again in the OECD (possible switch to deferred tax accounting).</p> <p>The minimum tax rate can be undercut by the amount of a carve-out. This carve-out considers personnel costs and tangible assets in the state of the national company. This is intended to create incentives for corporations with physical assets. However, intangible assets such as internally generated product patents are not considered. However, the effectiveness of this carve-out under current plans is limited and does not even free up profits for routine activities. A carve-out for research and development costs or for the patent box is not planned and does not appear to have majority support. This at least calls into question the measures implemented as part of the Swiss tax reform.</p> <p>The STTR applies to payments based on a DTA and allows the source state to take countermeasures if the payments are taxed below a certain level in the recipient state. The minimum level is likely 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> <p>Pillar 2 leads to a restriction of international tax competition. 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 are particularly affected. Overall, other (less transparent) factors (e.g. aid/subsidies) are gaining in 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 no multilateral agreement appears necessary for implementation. An agreement under Pillar 2 would rather be regarded as a new global minimum standard. Moreover, the GlobBE rules are outside the existing legal certainty mechanisms and can thus be introduced unilaterally by states. This means that Pillar 2 could be implemented much more quickly than Pillar 1. For example, the EU Commission would like to implement the GLOBE rules as quickly as possible (e.g. as early as 2024) or impose them on all other states.</p>
<p><b>Outlook</b></p>	<p>According to the current timetable, some sort of high-level agreement should be reached by mid-2021. In view of the numerous obstacles and the great importance of the decisions still to be made, this timetable seems extremely ambitious. It is more realistic that a high-level agreement can only be reached in October 2021, when there is also more clarity as to whether the Biden administration will find a majority in the US Senate for its US tax plans. Such an agreement would also need to include the key policy parameters. The technical details of Pillar 1 and Pillar 2 are therefore more likely to be available in spring 2022. Due to the divergent positions of numerous states, failure of the project is still not ruled out. However, the commitment of the Biden administration has significantly reduced this risk.</p>



Although the emerging requirements are not tailored to Switzerland's interests, an international agreement is preferable to a failure of the project. Thus, globally uniform standards instead of a jungle of different standards in a multitude of states are also in Switzerland's interest. We depend on our companies being able to supply their products and services to many countries without restrictions. Swiss companies are also becoming more and more digital. If the project fails, there is a threat of the introduction of digital service taxes and/or unilateral minimum taxation rules - possibly with withholding taxes - in many countries. The Digital Service Taxes, which are materially very different, will primarily affect US digital corporations and the US in a first step. As digitalization progresses, a growing number of Swiss companies are also likely to be affected by such taxes.

For this reason, Switzerland's main focus in the OECD work over the coming months will be to limit the scope of application of harmful new rules and their economic consequences as far as possible, as well as 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.

Regarding Pillar 1, it is of central importance for Switzerland that the focus is once again placed more strongly on digital companies. Our traditional industrial companies already pay more than substantial amounts of tax in the market states. At the same time, they are extremely important taxpayers in Switzerland. Switzerland must insist that the new rules apply primarily to digital corporations. A principles-based and balanced model is key. The equal treatment of traditional industrial and digital corporations envisaged in the US proposal ultimately leads to a continuation of their unequal treatment or the privileged treatment of digital corporations. In order to avoid discrimination against traditional industrial corporations with substantial local substance in the market states and their headquarters states (e.g. Switzerland), the new OECD taxation model should provide for a new tax nexus to be created for digital business models. The balance between the innovation efforts in the headquarters state and the distribution activities in the market states is essential for the success of such a new taxation model.

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

In the case of Pillar 2, it is crucial that the minimum tax rate be moderate. There is a risk here that the Biden administration, together with selected EU states such as Germany or France, will seek a substantial increase in the minimum tax rate. Scientifically speaking, profit taxes are detrimental to growth and job creation. Especially against the backdrop of the Corona recession, it would be dangerous to adopt such high minimum tax rates and eliminate competition. Moreover, it is currently very uncertain whether the Biden administration's proposals will be able to gain majority support in the US. Switzerland must therefore join like-minded countries in opposing the US administration's plans. Competition for international companies via moderate minimum taxes (max. 12.5%) must continue to be permitted. Non-transparent other instruments are by no means the better choice. For innovation-focused locations, it is of key importance that research activities can continue to receive direct tax support, which is not provided for in the current proposals (no carve-out).



The emerging requirements of the OECD digital taxation project are not in Switzerland's interest. In order to minimize the damage, Switzerland should nevertheless adopt and implement the requirements. If Switzerland were to refuse to implement the minimum taxation requirements, tax substrate would flow abroad, and Swiss companies would be exposed to constant conflicts with foreign tax authorities. The Swiss economy and treasury would thus be disadvantaged due to the new international requirements.

At the same time, Switzerland must quickly adapt to the new rules, the work on implementing Pillar 2 is likely to be urgent. In fact, this work should already be tackled with vigor today. Switzerland must be prepared if the minimum tax rate under Pillar 2 is to be set at over 12.5 percent. The higher the minimum tax rate, the more new instruments Switzerland will have to find in order to be able to retain the particularly profitable and high-tax income activities of international companies in Switzerland. In other words, Switzerland should adapt to the changed competitive conditions, maintain its attractiveness as a business location and, following the example of other countries (e.g. the USA), use non-fiscal instruments in particular to promote the location. Improvements in other tax areas should also be sought (withholding tax, issue tax, sales tax in the case of corporate restructuring). This ensures that the companies concerned will continue to carry out the activities associated with the highest profit tax revenues in Switzerland.

Switzerland should therefore act in a similar way to the BEPS project concluded in 2015. However, we should be given much less time for decision-making this time. Thanks to the AHV tax reform with the new special measures (patent box, research deduction) and the parallel cantonal profit tax reductions, the BEPS project which was concluded in 2015 brought Switzerland significantly more advantages than disadvantages. While the requirements of the BEPS project were tailored to Switzerland's strengths, this will not be the case with the requirements of the digital taxation project. The aim of the digital taxation project is precisely to take tax substrate away from successful countries such as Switzerland (Pillar 1) and to hold them back in the competition between locations (Pillar 2).

In view of the importance of the project for 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><b>Current status</b></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 2019, member companies' direct investments in the EU amounted to CHF 236 billion. This represents 53% 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><b>Outlook</b></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. SwissHoldings is calling on the Federal Council to quickly clarify the outstanding points on the InstA. Both sides have a strong economic interest in finding a solution within the three areas of state aid, accompanying measures, and EU citizenship.</p>



## Abolition of industrial tariffs

<p><b>Current status</b></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 apart from 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 demanded further clarifications from the administration, including questions about the partial abolition of industrial tariffs and border adjustment systems. The differences will be dealt with during the next step at the WAK-N meeting on May 17/18, 2021.</p>
<p><b>Outlook</b></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><b>Current status</b></p>	<p>The Swiss economy has a strong global orientation and is therefore dependent on cross-border 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.</p> <p>In recent years, the criticism over globalization has become louder and free trade agreements are increasingly criticized. Concerns relating to sustainable development goals (SDGs) and climate targets have further fueled protectionist tendencies. Considering these developments, discussions about the sustainability of free trade agreements have increased.</p> <p>The referendum against the free trade agreement with Indonesia can also be seen as part of these discussions. This was approved via the Swiss popular vote on March 7 with a narrow 51.6% yes vote.</p>
<p><b>Outlook</b></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>Concerns about sustainable development in connection with global trade are increasingly calling this successful model into question, as the most recent vote has shown. Of course, SwissHoldings recognizes and supports the need for sustainability aspects to be considered in discussions surrounding free trade agreements. The chapter on "sustainability and trade" in the agreements forms a solid foundation for promoting sustainable development. Moreover, it should not be neglected that intensified trade relations are themselves an important factor in promoting sustainable development. In addition to important economic aspects, the improvement of the labor market and the associated social progress as well as the transfer of knowledge and technology also play an important role.</p> <p>SwissHoldings will continue to support the important expansion of the Swiss network of free trade agreements.</p>



## Investment Control

<p><b>Current status</b></p>	<p>In Switzerland, it is being discussed whether foreign direct investments in Swiss companies pose a threat for the country.</p> <p>The Federal Council has already dealt with this question in detail in the "<a href="#">Cross-border investments and investment controls</a>" 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 <a href="#">Motion Rieder</a>. 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><b>The federal administration started working on the implementation of the motion. A consultation is expected in the second half of 2021.</b></p>
<p><b>Outlook</b></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. Counterpart to this is the stock of Fr. 1,370 billion of foreign direct investment in Switzerland. SwissHoldings member companies are the largest direct investors in Switzerland. Their capital stock amounted to 444 billion Swiss francs at the end of 2019. 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 more important as Covid-19 is likely to have triggered a sharp drop in foreign direct investment inflows 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 in practice. The basic principle is that the investment control mechanism must be targeted (i.e. focused on clearly defined objectives), efficient in its implementation and administratively lean. An unnecessary administrative burden on companies should be avoided. Investors should also be guaranteed 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

### Responsible Business Initiative

<p><b>Current status</b></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 paves the way for the implementation of the indirect counter-proposal - if no referendum is filed against it within 100 days after publication in the Federal Gazette. Together with the publication of the Federal Council's decision to accept the proposal, the consultation period for the ordinance specifying the outstanding points of the counterproposal was opened on 14 April 2021. It will last until July 14, 2021.</p>
<p><b>Outlook</b></p>	<p>From SwissHoldings' point of view, the goal to ensure a targeted and internationally coordinated regulation regarding corporate social responsibility in Switzerland remains unchanged. The implementation of the counterproposal represents an important step in this direction. The SwissHoldings Association will closely follow the drafting of the ordinance implementing the counterproposal and participate in the corresponding consultation process. From the association's point of view, it is essential that a "swiss finish" is avoided as much as possible when implementing the provision. The economy should implement the new due diligence obligations in line with international guidelines and standards.</p>

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

<p><b>Current status</b></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 federal government. 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.</p>
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	<p>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 <a href="#">Action Plans 2020 - 2023</a> 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 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 <a href="#">position paper and action plan on corporate social and environmental responsibility</a>. 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>
<b>Outlook</b>	<p>The Federal Council's action plans are currently being implemented. SwissHoldings supports the work of the federal government in this area within the framework of the Federal Commission for the Consultation of the NCP (NCP Advisory Council) and the advisory group for the National Action Plan "Business and Human Rights".</p>

## Accounting and reporting

### IFRS Standards

<b>Current status</b>	<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>
<b>Outlook</b>	<p>SwissHoldings will continue to actively follow the IFRS accounting developments. Our association continuously participates in the IASB consultations on</p>

draft standards. A comment letter on "[Sustainability Reporting](#)" was submitted at the end of December.

## Developments on EU level

### Current status

At EU level, the topic of sustainability is at the center of public discussion. As part of this discussion, the European Commission has become active through various initiatives.

In the reporting area, the focus is primarily on three regulations. On the one hand, there is the Regulation 2019/2088 on sustainability-related disclosure requirements in the financial services sector, which, as the name implies, is aimed at financial services providers. On the other hand, the taxonomy regulation and the non-financial reporting directive, imposes new requirements on companies.

The taxonomy regulation introduces a classification system for environmentally sustainable economic activities. This aims to promote sustainable investments and minimize greenwashing. Companies that fall under the scope of the non-financial reporting directive must disclose the extent to which their activities are considered environmentally sustainable under the Taxonomy. For more information on the status of the directive, please refer to the subchapter "Sustainable Finance".

In addition, the directive on non-financial reporting is currently being revised. The European Commission held a consultation on this in spring 2020. The focus was on questions such as: whether an audit obligation should be introduced, whether the existing leeway in the selection of ESG aspects should be retained, to what extent an in-depth examination of climate and environmental factors should be required in the future, and whether the number of companies covered by the regulation should be expanded.

The European Commission's proposal was published on 21 April 2021 and includes the following key points:

- The scope of application will be extended to all large companies as well as all listed companies.
- Companies are required to prepare their non-financial reporting in accordance with mandatory EU standard.
- Required independent assurance of non-financial information.
- The information must be published together with the annual report in electronic format.

In addition, the European Commission is currently looking into possible regulation around sustainable corporate governance. It opened a consultation on this at the end of October 2020. A draft regulation is expected in the course of 2021.

### Outlook

SwissHoldings welcomes initiatives that aim to improve transparency regarding ESG risks. It needs to be considered however, that companies already report extensively on their efforts towards more sustainability in their financial and non-financial reporting. This can only be realised at large expenditures. Non-financial reporting shall not lead to additional administrative costs for the real economy.

SwissHoldings will continue to follow this issue in particular through its participation in the relevant working group at BusinessEurope.



## Capital Markets

### Sustainable Finance

#### Current status

The topic of "sustainable finance" gained importance in parallel with sustainable corporate management. Especially in the discourse around the Paris Agreement, it became clear that private investors have an important role to play in stopping climate change. According to this thinking, the participation of private investors should ensure that market mechanisms support the most promising sustainable investments and thus allocate resources most effectively.

Sustainable finance has long reached the financial markets. The number of sustainable finance products has increased massively in recent years. A [study](#) by Swiss Sustainable Finance showed that CHF 1,163 billion were invested in sustainable financial products at the end of 2019 - an increase of 62% compared to 2018.

The topic has also arrived at the political level. Already 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 June 24, 2020, the Federal Council has adopted a [report](#) and [guidelines](#) on sustainability in the financial sector. The aim is to strengthen the competitiveness of the Swiss financial market in this area and to make an effective contribution to sustainability. The following priorities emerge from the report: the systematic disclosure of relevant and comparable climate and environmental information for financial products, the strengthening of legal certainty with regard to fiduciary duties or with regard to the consideration of climate/environmental risks and impacts, the strengthening of the consideration of climate/environmental risks and impacts in questions of financial market stability, and the monitoring of developments at the international and, in particular, EU level. The Federal Council intends to address these in cooperation with the industry and other stakeholders.

These directions were further specified in December 2020 and the Federal Council decided on four measures:

- Development of a binding implementation of the recommendations of the Task Force for Climate-related Financial Disclosures.
- Proposal to amend financial market law to avoid greenwashing by fall 2021.
- Recommendations to financial market players to publish methods and strategies on how climate and environmental risks are considered. The extent to which this recommendation has been complied with will be reviewed at the end of 2022.
- Expanding Switzerland's involvement in international environmental conferences and initiatives

Sustainable finance is also 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, which is particularly relevant for companies. The regulation, which entered into force in 2020, provides a framework for assessing the environmental sustainability of economic activities and requires companies affected by the regulation to report on it. The regulation is based on six environmental



	<p>goals: Climate change mitigation, climate adaptation, conservation and protection of water and marine resources, transition to a circular economy, prevention and control of pollution, and preservation of biodiversity and ecosystems. A delegated act further specifying the information to be published and the methodology for its processing is to be adopted by June 2021. A draft has been published April 21, 2021. In addition, discussions are already taking place on how the taxonomy could be extended to the area of social sustainability.</p> <p>Furthermore, the update of the Sustainable Finance Strategy is currently under consideration. It is expected that the European Commission will present a draft in 2021.</p> <p>Developments in sustainable finance 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 risk of high capital costs in the long term.</p>
<p><b>Outlook</b></p>	<p>SwissHoldings welcomes the new role assigned to business in the area of climate protection and sustainable development. Markets allocate resources effectively so that the marginal benefit for ESG factors can be maximized.</p> <p>SwissHoldings considers it therefore important, that investors can continue using their discretionary leeway to determine which company or technology they judge to be most future-proof with regards to company financing. It is essential that all companies are offered a chance to adapt their business model and transform towards sustainability.</p> <p>The association will follow the current developments in this area and accompany relevant business.</p>

## Monetary Policy SNB

<p><b>Current status</b></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 <a href="#">motion</a> 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 <a href="#">motion</a> 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><b>Outlook</b></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>

