SwissHoldings

SwissHoldings Update

September 2021

Overview (titles clickable)

SwissHoldings, the association of industrial and service companies in Switzerland, comprises 60 of the largest groups in Switzerland, which together account for approximately 69 percent of the total market capitalization of the SIX Swiss Exchange. Our member companies employ around 1.6 million people globally, around 202,000 of whom work in Switzerland. Through the numerous service and supply contracts they award to SMEs, Switzerland's multinational companies employ - directly and indirectly - more than half of all employees in Switzerland.

SwissHoldings

Law Department

Competition Law

Revision of the Cartel act

Current status	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. As far as it is known, several elements of the 2014 failed revision of the Cartel Act will be taken up again. 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. 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). 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). 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.
Outlook	The **consultation is expected to open in the fourth quarter of 2021at the earliest or even in 2022**. SwissHoldings will participate in the consultation process.

Motion Français 18.4282

Outlook	Motion Français 18.4282 (cf. link) calls for the following: "In order to make competition legislation more effective and to reduce uncertainties regarding its application, the Federal Council is requested to clarify Article 5 of the Cartel Act. This amendment aims to make it possible to **determine the unlawful agreement to compete, considering both qualitative and quantitative criteria**". SwissHoldings continues to speak in favor of the motion. **We welcome the fact that the Council of States adopted the motion on 15 December 2021 and now also the National Council on 1 June 2021.**

Corporate and capital market law

Completed company law revision and upcoming minor revisions in corporate law

Current status	**Adoption of the revision of the Stock Corporation Act:** After a very long preparatory phase, the revision of the Stock Corporation Act was completed in the summer of 2020. An essential part of this was the transfer of the Ordinance against Excessive Compensation into the Code of Obligations; it also contains various technical adjustments. **Entry into force:** Most of the provisions of the company law revision are expected to enter into force at the beginning of 2023. Art. 293a SchKG of the company law revision has already entered into force (on 20 October 2020). Furthermore, the Federal Council has brought into force the gender guidelines (with long transitional periods) and the transparency provisions in the commodities sector as of 1 January 2021. SwissHoldings' position on the entry into force is as follows: It suits us if it is communicated early enough when which provisions will come into force so that member companies can prepare sensibly themselves for the new provisions. An early entry into force is not (necessarily) something that our member companies want.
Outlook	**At the regulatory level,** now that the revision of the Stock Corporation Act has been completed, there are various ongoing or forthcoming revisions of provisions in the Stock Corporation Act: - **Commercial Register Ordinance:** After completion of the revision of company law, the ordinance provisions on the new provisions of the revision of company law are still needed. In this regard, the Federal Council has (so far) only planned amendments to the Commercial Register Ordinance. It has carried out a corresponding consultation from February to May 2021 (see link to the corresponding media release including consultation documents). The consultation draft essentially contains provisions on the formation and capital regulations as well as on share capital in foreign currency. SwissHoldings participated in the consultation process. Like the revision of company law, the bill is a technical bill and contains few sensational changes. SwissHoldings welcomes the consultation draft and its thrust and submitted mainly selective, technical amendment

concerns in the consultation (see link to consultation response).

- **Consultations on ordinances on the counterproposal to the Corporate Responsibility Initiative and TCFD: The** counterproposal to the Corporate Responsibility Initiative also still requires the implementing ordinances, which are now being drafted, and the Federal Council is planning binding implementation of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) for Swiss companies.
  To achieve this, the Federal Council has already carried out one consultation and is planning another:
  - **Consultation on the Ordinance on Due Diligence and Transparency in the Areas of Minerals and Metals from Conflict Areas and Child Labor (VSoTr):** The consultation took place between 14 April 2021 and 14 July 2021 (see link to consultation documents). SwissHoldings participated in the consultation in an inter-association statement (see link).

  - **The planned consultation on benchmarks for mandatory climate reporting for large Swiss companies.** The Federal Council announced this in a media release dated 18 August 2021 (cf. link to the corresponding media release).

  At SwissHoldings, the topic is looked after and examined from a cross-divisional CSR and accounting perspective **(cf. in particular the comments in the Economics section)** and from a legal perspective.

- **Regulation in connection with the bill against abusive bankruptcies:** The bill aims to use various measures in the Code of Obligations, debt enforcement and bankruptcy law and criminal law to prevent debtors from abusing bankruptcy proceedings to discharge their obligations (bankruptcy riding) (see link to documents on curia vista. The bill also includes measures under company law, namely on shell company trading and audit law. The bill has so far been discussed in the Council of States and the preliminary advisory committee of the National Council concluded its deliberations on the bill on 20 August 2021.
  SwissHoldings positions itself as follows: The Federal Council's provisions - including those relating to company law - only marginally affect the members of SwissHoldings. It is important above all for SwissHoldings members that problematic provisions are not included now in the parliamentary process.

- **Future proposal on the regulation of proxy advisors**: During the discussions on the revision of the Swiss Stock Corporation Act (and already during the revision of the SER Directive on Information Relating to Corporate Governance), the parliamentarians repeatedly discussed a provision that wanted to regulate proxy advisors via transparency obligations for issuers. SwissHoldings opposed the regulation under discussion at the time because it would have meant regulating (certainly existing problems in connection with proxy advisors) via a selective regulation "on the backs of issuers/companies". In the end, the provision was not included in the revision of the Stock Corporation Act, which we very much welcome.
  In response, a motion 19.4122 (cf. link) was adopted with the follow-

ing wording: "The Federal Council is instructed to submit an amendment to the law (e.g. the Financial Market Infrastructure Act) in order to disclose and avoid conflicts of interest on the part of proxy advisors at listed stock corporations. In doing so, it considers international developments." It contains no reference, or at least no explicit reference, to regulating via issuers' duties. We welcome this missing reference. The corresponding revision of the law is coming.

- **Future regulation regarding loyalty shares**: In the context of the share revision, a regulation was further discussed which wanted to introduce so-called loyalty shares. In the end, it was not adopted. Instead, the Council of States has submitted a postulate instructing the Federal Council to draw up a report on the possible advantages and disadvantages as well as the effects of the proposed regulation discussed in the revision of company law. According to the postulate, the report should also provide a comparative legal description of the possible implementation variants in Swiss company law and the extent to which there is a need for action in this area (see the link to the postulate for details).
  This could lead to regulation in the future.

- **Proposals concerning bearer shares and beneficial owners:** In the future, there are likely to be regulatory efforts in connection with the recommendations of the "Global Forum on Transparency and Exchange of Information for Tax Purposes" and the "Financial Action Task Force on Money Laundering (FATF)" in company law. SwissHoldings' position in these areas is essentially as follows: It is important to ensure that Switzerland is not blacklisted by such entities. At the same time, unnecessary restrictions on freedom of action and unnecessary bureaucracy for (listed) companies must be avoided.
  In concrete terms, the following two developments should be mentioned at present:
  - **Revision of FATF Recommendation 24 on transparency and beneficial owners of legal persons:** The FATF conducted a public consultation from 23 June - 27 August 2021. The main issues were the possible introduction of a central register for beneficial owners and possible tightening of bearer shares. SwissHoldings participated in the consultation process in a joint submission with economiesuisse, SwissBanking, the Swiss Insurance Association and the Forum SRO. The opinion states that exceptions for listed companies are necessary in this area (in the event of the introduction of central registers and tightening up on bearer shares).
  - **Postulate 19.3634** (cf. link)*:* The postulate instructs the Federal Council to submit a status report by the end of 2021 on the implementation of Bill 18.082, "Implementation of the recommendations of the Global Forum on Transparency and Exchange of Information for Tax Purposes". If necessary, the Federal Council must submit proposals for amendments. Regulations could follow if necessary.

SwissHoldings is following developments in these areas and continues to actively advocate the interests of its member companies in company law.

Revision on SER regulations on ad hoc publicity and further adjustments

Current status / outlook	In 2016, the Six Exchange Regulation (SER) had already conducted a consultation on the revision of the rules on ad hoc publicity, in which SwissHoldings participated at the time. SER then contacted the participants in that consultation last year with a new consultation on the topic, where SwissHoldings again participated. The proposal concerns various amendments to the Listing Rules, the Directive on Information Relating to Corporate Governance and the Directive on ad hoc Publicity. This year, SER (respectively the SER Regulatory Board) has published the various corresponding amendments, as well as an FAQ (see in detail the information on the SIX Exchange Regulation website; link). - The fundamental changes came into force on 1 July 2021. - Further amendments to the new obligation to use the Connexor Reporting platform for the transmission of ad hoc notifications to SER have been brought into force on 1 October 2021 (with a transitional period; cf. in detail Regulatory Board notice no. 5/2021 of 18 August 2021 ; link). - Finally, SER plans to revise the Commentary on the Directive on Ad Hoc Publicity (RLAhP) by the end of the year 2021 and then publish it on the SER website. SwissHoldings is monitoring the draft and is advocating the interests of its members.

Consultation on the regulation of Special Purpose Acquisition Companies (SPACs)

Current status / outlook	From 3 June until 23 June 2021, the SER Issuers Committee conducted a consultation on the regulation of special purpose acquisition companies (SPACs). The background to this was that Finma had expressed concerns that the current provisions of the SIX Listing Rules would not provide a sufficient basis for the admission of a SPAC. Accordingly, the Issuers Committee decided to revise the listing rules and to issue a new Directive SPACs. SwissHoldings participated in the consultation process with a brief statement due to the limited extent to which it was affected (see link to statement).

Equivalence of the Swiss trading venues – question of the extension of the measure to protect the Swiss stock exchange infrastructure

Current status / outlook	As this has been known for some time, the EU only granted Switzerland equivalence of the Swiss trading venues until the end of June 2019, but did not extend it. Therefore, Switzerland had activated the measure to protect the Swiss stock exchange infrastructure on 1 July 2019. Thus, since 1 January 2019, foreign trading venues are subject to a recognition obligation if they admit certain shares of Swiss companies to trading or facilitate trading in such shares (see for the whole and also further on the developments with the UK the following link to the information provided by the State Secretariat for International Financial Matters, SIF). **The Ordinance governing the measure to**

	protect the Swiss stock exchange infrastructure (cf. link to the **Ordinance) is based on Art. 184 para. 3 Federal Constitution and is accordingly limited until 31 December 2021. The Federal Council must now ask itself whether and how it will extend the measure to protect the Swiss stock exchange infrastructure beyond 31 December 2021.** Pursuant to Art. 7c para. 3 Government and Administration Organisation Act, the Federal Council may extend the validity of such an ordinance once; in this case, the ordinance will cease to be in force six months after the entry into force of its extension if the Federal Council does not submit a draft legal basis for the content of the ordinance to the Federal Assembly by then. Thus, should the Federal Council decide to extend the measure to protect the Swiss stock exchange infrastructure, it will probably also open the consultation on the corresponding law towards the end of 2021 and adopt the dispatch before mid-2022. **SwissHoldings is monitoring the proposal on an interdisciplinary basis and is defending the interests of its member companies. SwissHoldings is clearly in favor of extending the measure to protect the Swiss stock exchange infrastructure.**

Compliance

Compliance Specialist Group as a platform for the exchange of experience among the member companies - particularly 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 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) are also discussed.
Outlook	SwissHoldings will continue to promote the mutual exchange between the member companies.

Whistleblowing Directive and problematic obligation to set up whistleblowing systems and investigation bodies in each EU country

Current status / outlook	In the context of the implementation of the Whistleblower Directive in the European Member States, a problematic development is emerging - triggered by the legislative activities in certain (Scandinavian) countries: There is a risk that the Directive will have to be interpreted and implemented in such a way that local whistleblower systems and investigation bodies will have to be established in every EU country by companies with more than 50 employees there. This would be problematic in two respects at once: on the one hand, whistleblowers would not be better protected by local whistleblower systems, and on

	the other hand, this would lead to a large and unnecessary bureaucratic burden. Accordingly, various actors, namely various European and foreign associations (as well as SwissHoldings from Switzerland) have lobbied and continue to lobby through letters and discussions for the Commission to adopt or prescribe a different interpretation in this regard. In addition, various foreign business associations are working towards the same goal with their national legislators. It remains to be seen to what extent the various activities of the various associations and of SwissHoldings will (be able to) ultimately lead to the goal.

ZPO-Revision - Collective legal protection - Protection of professional secrecy for in-house lawyers

Current status	In 2018, a **consultation** on the amendment of the Code of Civil Procedure was carried out. It concerned the reduction of cost barriers, collective legal protection, and the implementation of the Markwalder parliamentary initiative (16.409) for a right to refuse to testify and disclose information for employees in in-house legal services. On 26 February 2020, the Federal Council presented its **dispatch** on the revision of the CCP (see link to the media release and to the dispatch and the Federal Council draft). It **decided to remove collective redress from the draft and deal with it separately later. It also decided to retain the provision on the protection of professional secrecy for in-house lawyers in the Federal Council's draft.** The bill then went to the **preliminary advisory committee of the Council of States and the Council of States, which discussed the bill on 16 June 2021.** Regarding the protection of professional secrecy for in-house lawyers, they, like the Federal Council, have spoken out in favor of a provision that seeks to introduce professional secrecy protection for in-house lawyers. However, they limit this more strictly, namely by introducing a provision according to which the protection of professional secrecy only applies "if the opposing party is also entitled to refuse under this provision or, if it has a foreign domicile or registered office, has a comparable right of refusal under its law". Finally**, the bill** went to **the National Council's preliminary advisory committee,** which is currently still discussing the bill. The decisions in detail are accordingly not yet published. **SwissHoldings** positions itself as follows: • **Concerning collective redress:** The Association is opposed to the instruments of collective redress and will maintain this position when this subject is discussed in a separate proposal. • **Regarding the protection of the professional secrecy of in-house counsel:** The Association has long been **actively** committed to the **protection of the professional secrecy of in-house counsel and** continues to do so in the current consultations. It **explicitly and emphatically supports the right of employees in in-house legal services to refuse to testify and to disclose information, as provided for in the Federal Council's draft** (for our position, see the detailed link to our consultation response).

Outlook	The National Council's pre-consultative committee will now discuss the bill and then the bill will go to the National Council. SwissHoldings will study the decisions of the National Council's pre-consultative commission as soon as it is available and formulate its position with a view to the deliberations in the National Council.

Data protection

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

Current status	**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 2020 autumn session. We very much welcome this swift conclusion because it clears the way for the preservation of the recognition of equivalence. **Ordinance law: The** adopted law will be followed by the enactment of ordinance law. The consultation process was opened on 23 June 2021 and will continue until 14 October 2021. SwissHoldings will participate in the consultation process. **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 so-called Schrems II ruling of the European Court of Justice. The Court issued its ruling on 16 July 2020 (see below). The decision on equivalence by the EU remains to be seen. **Schrems II ruling**: The ruling mainly determines the following: EU-US Privacy Shield is void as of now. Standard contractual clauses are still valid under increased conditions. The ruling leads to increased legal uncertainty. **Ordinances:** The adopted law is followed by the enactment of the ordinance(s). The consultation is scheduled for June 2021. **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. **Schrems II decision**: The decision mainly determines the following: - EU-US Privacy Shield is void with immediate effect. - Standard contract clauses are still valid under increased conditions. The decision leads increased legal uncertainty.

Outlook	SwissHoldings is following developments around the above issues and continues to advocate for the interests of member companies in all these areas, in particular the maintenance of equivalence.

Further

Consultations on the Relief Act and the Regulatory Brake

Current status / outlook	From 28 April 2021 to 18 August, the Federal Council held consultations on a relief law and on the regulatory brake. With the Relief Act, the Federal Council would like to consistently review existing regulations and new bills for relief potential. With the regulatory brake, it wants to subject regulations that place a particularly heavy burden on companies to a qualified majority in parliament (cf. in detail the Federal Council's media release of 28 April 2021 including the corresponding consultation documents under the following link). SwissHoldings welcomes the thrust of the proposals and has participated in the consultation process with a statement (see link to statement).

SwissHoldings

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 transaction stamp duty 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. For the Confederation, the revenue shortfall should be offset within five years. For the cantons and communes, additional revenue should result much sooner (dispatch, p. 3).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. Overall, the Federal Council believes that the reform has an attractive cost-benefit ratio. According to the latest calculations, the Confederation, cantons and municipalities could save up to CHF 200 million per year due to the lower bond interest rates resulting from the reform (new FTA calculations, not taken into account in the dispatch). The dispatch does not include SwissHoldings' request to correct the error in the participation deduction for financing activities. On 17. May, the parliamentary discussion of the bill began with a hearing by the Economic Affairs and Taxation Committees (WAK/EATC) of the National Council. Already from the business associations that were invited to the hearing it was evident that the reform was 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 the transaction stamp duty. 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. On 17 August, the WAK/EATC of the National Council dealt in detail with the

withholding tax reform (MM WAK-N). First, the committee decided by a large majority (17 to 4) to approve the reform. In the subsequent discussion, proposals to strengthen tax security were clearly rejected (17 to 8). Smaller proposals to improve the draft were accepted. Unfortunately, the correction requested by SwissHoldings about the participation deduction for financing activities was apparently not accepted. In the overall vote, the proposal was again accepted by a pleasingly clear margin of 17 votes to 8. The reform can therefore be dealt with by the plenary session of the National Council as early as the autumn session (13 September - 1 October). SwissHoldings is extremely pleased about the strong support of the WAK/EATC for this important reform for many medium-sized and large Swiss companies (SwissHoldings Media Release).

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 (see the new FTA estimate mentioned above). 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: Despite the rejection of corresponding proposals in the WAK/EATC of the National Council, the safeguard function of the withholding tax is likely to remain the bone of contention of the reform. 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 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.

Apart from normal bank accounts, the Dispatch waived additional tax security measures. Should a safeguard be desired politically, various options are available. However, all the solutions (of the many developed and tested by the administration and the economy) 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). An AEOI restricted to the interest area would bring complicated delimitation problems.

Need for improvement in the participation deduction: Unfortunately, after the Federal Council the WAK-N refrained from eliminating 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). 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.
Outlook	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. It would be ideal if the reform would pass before the end of 2021 and enter into force as early as the beginning of 2023. If the reform can be adopted by the National Council in the autumn session and by the Council of States in the winter session, then this would be possible. However, this presupposes that the left renounces a referendum against the reform. 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 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. 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. It would be important for us to eliminate the shortfall in the participation deduction. However, it is becoming apparent that this request will not find support due to the shortfall in revenue from the Confederation (CHF 80 million) and the cantons (CHF 50 million). For the too-big-to-fail banks, this shortcoming was eliminated by parliament in 2018. At best, improvements can be achieved for the benefit of the industry in other areas during the political process, such as the transaction stamp duty (e.g. improvement for treasury activities newly exercised from Switzerland or exemption for long-term equity purchases). The withholding tax reform on interest on borrowed capital represents an opportunity for Switzerland as a business location to increase its international attractiveness in another area and to eliminate one of its most important disadvantages as a headquarters location. Against the backdrop of the loss of attractiveness of Switzerland as a business location due to the OECD digital taxation project, the withholding tax reform is a welcome countermeasure. SwissHoldings will endeavor to convince politicians from left to right of the benefits of the reform. At the same time, however, it should be noted here that the real winner of the reform will be the Swiss treasury (Confederation, cantons and municipalities). Firstly, it will be able to tax the profits from the financing activities of Swiss corporations in Switzerland in future. Because of the OECD minimum taxation, the profits can even be taxed at a higher rate. Many

	of the WAK-N parliamentarians quickly understood this. We are convinced that the other parliamentary bodies will also recognize this

OECD/G20 project on taxation of the digital economy

Current status	The project for the taxation of the digital economy is based on two pillars and aims to adapt international corporate taxation. In 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. This is done through the so-called Amount A. In Pillar 2, large corporations are to be subject to minimum taxation in all their operating states. The work is being led by the OECD Secretariat on behalf of the G7 and G20. The project is decided by the "OECD/G20 Inclusive Framework on BEPS" (IF), which comprises of 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 consultation 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 financially significant for the countries and companies (e.g. 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 technically very complex proposals and presenting an agreement by mid-2021. This was partially successful and in July 2021 the G20 and almost the entire IF agreed on the following: • The world's largest companies (with a turnover of at least EUR 20 billion) must pay tax in their home countries on at least 20% of their profits above a 10% profit margin. • In return all "digital service taxes" and similar unilateral instruments should be abolished. • A minimum tax rate of at least 15% should be ensured for each country. • The work is to be finalized by October 2021, including an implementation plan to take effect from 2023. It should be noted, however, that there are still major differences of opinion among the IF states involved regarding the details, and that the broad agreement on the above points only came about because they were still conceptual and the countries did not want to abandon the project. The new US administration under President Biden plays an important role for the OECD project. Its constructive attitude meant that the negotiations, which had stalled in the winter, could be continued, in particular through its plans for the design of the digital taxation project, which were presented in April 2021 and on which the points decided by the IF are essentially based. In these, it was proposed for Pillar 1 (contrary to the OECD's plans in the Blueprint) that redistribution to market states via the so-called Amount A would no longer be limited to large companies with "Automated Digital Services" or "Consumer Facing Businesses" but would initially focus on the largest and most profitable corporations in the world (around 100 corporations), regardless of whether they are digital corporations or not. This means that the majority of Amount A is likely 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 SAP and the French luxury goods groups.

Another part of the US proposal was also the condition that the digital service taxes planned or already introduced by many states be abolished. This also raises the question of how the EU Digital Levy will proceed.

Finally, the US unsurprisingly stressed the importance of minimum taxes (Pillar 2) to limit what it sees as ruinous international tax competition (race to the bottom). This is also because the US has already been applying its own minimum tax rate of 10.5 percent since the 2017 tax reform, which the Biden administration would like to increase to 21%.

The US administration is not altruistic in its support for the OECD project: to finance improvements to the US infrastructure and various new social projects, it wants to significantly increase corporate taxes in the US and eliminate numerous business-friendly special rules, as it announced in the "American Jobs Plan" in March 2021. In order not to maneuver itself economically into the sidelines with these tax increases and thus jeopardize the necessary parliamentary majority in the US Congress, the new international Pillar 1 and Pillar 2 requirements must be aligned with the US plans. Most important in this respect is the introduction of the highest possible international minimum tax rates (Pillar 2). This could encourage US and European or Asian companies to set up more factories and research facilities in the US again as part of the "America first" strategy. In the competition between locations, factors other than attractive corporate taxes must be decisive. 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 waiving of government claims (e.g. social security contributions). In contrast, such instruments are largely frowned upon in Switzerland and are used little, although they are also used to a considerable extent by important European countries such as France and the UK.

On Pillar 1:

The decision of the IF and G20 has massively simplified the much too complicated rules of the Blueprint. Now only the largest and most profitable global corporations are affected, regardless of whether they are "digital" companies or not. Nevertheless, answers are still pending here on many technical details (e.g. segmentation or dispute resolution) that could also be politically significant.

If an agreement is reached on Pillar 1, however, it will be several years before the new taxation rules enter into force globally. Thus, 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 need to be introduced globally at the same time (which makes the envisaged start date of 2023 seem very optimistic).

On Pillar 2:

The OECD's work on Pillar 2 (minimum taxation) is much further advanced. However, the new US administration is unlikely to be interested in reaching an agreement by October. If the US tax reform succeeds, the US could want to impose even higher minimum taxes than the 15 percent currently under discussion at the global level (which certain other countries would support).

As no major technical adjustments have been communicated for Pillar 2 compared to the Blueprint, the following technical explanations continue to be based on the Pillar 2 Blueprint of October 2020. The most important topic

	currently under discussion for Pillar 2 is whether to switch from the complicated carry forward approach to the deferred tax accounting approach. For more information on Pillar 2, see SwissHoldings May Update 2021.
Outlook	In view of the numerous obstacles and the great importance of the decisions still to be made, the timetable advocated by the IF appears extremely ambitious. Which one of the disputed points, that will be clearer by October 2021, is just as interesting as the question of if the Biden administration will find a majority in the US Senate for its US tax plans by then. Some 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 countries, a failure of the project cannot be ruled out, especially if there is no majority in the US Congress for an increase in the current minimum tax rate of 10.5% and the other IF countries insist on a rate of at least 15%. 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. If the project fails, there is a risk of the introduction of digital service taxes and/or unilateral minimum taxation rules - possibly with withholding taxes - in many countries. For this reason, Switzerland's main concern 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. For Pillar 1, a principles-based and balanced model should be sought. The equal treatment of traditional industrial groups and digital groups envisaged in the US proposal ultimately leads to a continuation of their unequal treatment and the privileged treatment of digital groups. 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 base and many principal companies, Swiss groups and group companies are likely to generate residual profits more frequently, which under Pillar 1 must be shared with large market states. In the interest of Switzerland as a research and management location, the redistribution in favor of the market states must remain moderate. In the further Pillar 2 work, it is crucial that the minimum tax rate does not rise above 15 percent under any circumstances. Here, there is a danger that the Biden administration, together with selected EU states such as Germany or France, will seek a further increase in the minimum tax rate. Taxes on profits are, from a scientific point of view, harmful to growth and job creation. Especially against the backdrop of the Corona damage in many economies, it would be dangerous to adopt even higher minimum tax rates and eliminate competition. Competition for international companies via moderate minimum taxes must continue to be permitted. Ambiguous other instruments are by no means the better choice. The emerging requirements of the OECD digital taxation project are not in Switzerland's interest. Nevertheless, Switzerland should adopt the guidelines in large part. If Switzerland were to refuse to implement the minimum taxation requirements, for example, this would do more harm than good to the Swiss economy and the Swiss treasury. The additional tax substrate from minimum

taxation would simply flow abroad instead of into Switzerland, and Swiss companies would be exposed to constant conflicts with foreign tax authorities. The Swiss economy and treasury would thus be the big losers from the new international requirements.

The OECD's timetable for implementing the new requirements is extremely ambitious (introduction of the minimum tax requirements as early as 2023). Even if this timetable is fleshed out somewhat more realistically during further OECD work, the timelines are likely to remain ambitious and difficult to reconcile with the slow Swiss legislative process. Therefore Switzerland cannot wait until the final details of the new requirements are known. It must set the legislative process in motion with vigor now, so that when the new requirements are approved, Switzerland can already begin the consultation process. The first important preliminary work has already begun. This work must be continued in a targeted manner with the involvement of the business community.

Regarding Swiss implementation, SwissHoldings is of the opinion that existing structures that have proven themselves over many years should not be adapted without necessity. For example, SwissHoldings is skeptical that the assessment of the minimum tax should be transferred from the cantons to the federal government. The assessment of the profit tax is the task of the cantons. The cantons should therefore continue to be in the lead about the minimum tax. Nor should the cantons' tax autonomy or competition among the cantons be abolished under the guise of GloBE requirements. The additional revenues from the minimum tax therefore belong to the cantons and not to the Confederation. Those cantons should receive a share of the additional revenue from the minimum tax whose companies have also paid it. Redistributions, for example in favor of the Canton of Berne and at the expense of the Canton of Zug, should be avoided. Redistributions between the cantons must take place via the intercantonal financial equalization system. In general, the following aspects are central to Swiss implementation:

- International acceptance
- Simple legislative and administrative implementation
- Securing the attractiveness of the location
- Compliance with international timelines
- High flexibility
- Recognition of minimum taxation, also from a US tax perspective

With a minimum tax rate of 15 percent, Switzerland will have to find new instruments to be able to retain the particularly profitable activities of international companies in Switzerland that are associated with high tax revenues. 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, France, the UK), also use non-fiscal instruments to promote its location. Such measures could be particularly effective in the research sector. Fiscal improvements (e.g. withholding tax, emissions tax, modified capital tax credit) are also important. In this way, it can be ensured that the companies concerned continue to carry out the activities associated with the highest profit tax revenues in Switzerland in the future.

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

SwissHoldings

Department of Economy

Trade and investment policy

Bilateral relations Switzerland / EU

Current status	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. 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 our country numerous advantages. However, the EU has made the further development of the network of agreements conditional on clarification of the institutional framework. At its meeting on 26 May 2021, the Federal Council conducted an overall evaluation of the outcome of the negotiations on the Framework Agreement. It concluded that substantial differences remain between Switzerland and the EU in key areas of the agreement. It therefore felt that the conditions for concluding the agreement were not met. He has therefore decided not to sign the Institutional Framework Agreement and to terminate the negotiations with the EU. Nevertheless, he would like to continue bilateral cooperation and develop a common agenda on further cooperation with the EU. At EU level, the Committee on Foreign Affairs is currently working on a report evaluating bilateral relations between Switzerland and the EU, which is to be presented to the public in autumn 2021 and serve as the basis for a fundamental debate in Parliament on relations with Switzerland. In addition, the Commission is also working on a report on bilateral relations. In the meantime, the Federal Council is seeking a rapid de-blocking of the cohesion contribution. The file will be discussed in parliament during the autumn session. The failure of the Framework Agreement has led to the EU only allowing Switzerland to participate in Horizon research cooperation as a non-associated third country under the "Horizon Europe" framework program for research and innovation for 2021.

Outlook	Orderly and secure relations between the European Union and Switzerland are essential for both sides. For the foreseeable future, the EU member states will remain extremely important trading partners for the highly export-oriented Swiss economy. It must therefore remain a priority objective that the bilateral path can be successfully continued. SwissHoldings welcomes the fact that the Federal Council is endeavoring to develop a common agenda on further cooperation with the EU in order to ensure that the bilateral agreements are applied as smoothly as possible, even without the conclusion of the InstA. In this context, it is also considered correct that the Federal Council has instructed the Federal Department of Justice and Police (FDJP), in cooperation with the other departments, to examine the possibility of independent adjustments in national law with the aim of stabilizing bilateral relations. From the Association's point of view, to ensure the competitiveness of our country, it is also important to exhaust all possibilities that Switzerland can implement unilaterally to strengthen the framework conditions.

Abolition of industrial tariffs

Current status	The draft revision of the Customs Tariff Act is intended to set customs duties on industrial products at zero. For the purposes of this bill, the term "industrial products" covers all goods except agricultural products (including animal feed) and fishery products. In addition to the elimination of tariffs, the bill also seeks to simplify the tariff structure for industrial products. The planned simplification of the customs tariff structure will reduce the number of tariff numbers in the industrial sector from 6172 today to 4592. The bill is part of the "import facilitation" package of measures in the fight against the high price island of Switzerland. The Federal Council adopted the dispatch on the Customs Tariff Act on 27 November 2019 for the attention of parliament. As the first Council, the National Council rejected the bill in the 2020 summer session by 108 votes to 83. The Council of States voted 29 to 14 in favor of the bill in the autumn session and on 2 December voted 28 to 14 with one abstention in favor of the Federal Council's draft. Due to the differing positions of the two councils, the WAK-N demanded further clarification from the administration, including questions on the partial abolition of industrial tariffs and border adjustment systems. At the subsequent meeting of the WAK-N, the body decided to accept the bill by 16 votes to 7 and to approve it unchanged by 15 votes to 7 with one abstention. A motion for the graduated abolition of industrial tariffs will be brought before the National Council as a minority motion. In the 2021 summer session, the matter was dismissed at short notice and postponed until the autumn session. This means that the bills can be discussed together with Motion 21.3602 "Swiss participation in the EU carbon border adjustment mechanism".
Outlook	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. 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. 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.

Free trade agreements

Current status	The Swiss economy has a strong global orientation and is therefore dependent on cross-border trade and international investment activities. Thus, the constant improvement of access to foreign markets was and is a focus of Swiss foreign policy. This is achieved, among other things, through free trade agreements with third countries. Switzerland has a network of 32 free trade agreements with 42 partners worldwide. Together with the other EFTA states, it is currently negotiating free trade agreements with five new partner states, namely India, Malaysia, Mercosur, Moldova and Vietnam. In recent years, criticism of globalisation has become louder and free trade agreements are increasingly viewed critically. In particular, fears regarding the Sustainable Development Goals (SDGs) and climate targets are fuelling protectionist tendencies. In the context of these developments, discussions about the sustainability of free trade agreements have also increased. Following the narrow approval of the free trade agreement with Indonesia in March 2021, the focus will now increasingly be on the free trade agreement with Mercosur. Negotiations between EFTA and the Mercosur states were substantially concluded in Buenos Aires in August 2019. Currently, the legal review is underway, which has been delayed due to Covid. Regarding this free trade agreement, two standing initiatives, one from the Jura and the other from Geneva, were dealt with in the National Council during the last summer session. One initiative demanded the exclusion of agricultural products from the Mercosur agreement and the other that the free trade agreement with Mercosur should be subject to an optional referendum. For both initiatives, the National Council followed the Council of States and did not follow them. Nevertheless, in accordance with Federal Council practice, a referendum is to be expected.
Outlook	Especially against the backdrop of trade conflicts, the blockade of the World Trade Organization (WTO) and growing protectionism, the expansion of the network of free trade agreements is important for the export-oriented Swiss economy and the member companies of SwissHoldings. Free trade agreements allow privileged access to important markets and lead overall 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. Concerns about sustainable development in connection with global trade are increasingly calling this successful model into question, as the recent vote on the agreement with Indonesia has shown. Of course, SwissHoldings recognizes and supports the need for sustainability aspects to be taken into account when considering 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 significant economic aspects, the improvement of the labor market and, consequently, social progress as well as knowledge and technology transfer play an important role. SwissHoldings will continue to advocate the important expansion of the Swiss network of free trade agreements.

Investment Control

Current status	In Switzerland, it is currently being discussed whether foreign direct investment in Swiss companies poses a threat to the country. The Federal Council examined this issue in detail in the report "Cross-border investments and investment controls" and came to the conclusion that the introduction of official control of direct investments would not bring any added value at the present time. Notwithstanding this position, both chambers of parliament have voted in favor of the Rieder motion. This mandates the Federal Council to draft a bill for investment control of foreign direct investments in Swiss companies, among other things, by establishing an approval authority for transactions subject to investment control. The focus is particularly on takeovers and investments by companies from the dynamically growing emerging markets in infrastructures such as energy, transport, telecommunications, data storage and financial infrastructure. On 25 August 2021, the Federal Council defined the parameters for a foreign investment control system to implement the Rieder motion. The consultation draft is expected at the end of March 2022.
Outlook	Switzerland is one of the largest direct investors in the world. Swiss companies had a capital stock of CHF 1.445 billion abroad in 2019. The counterpart to this is the stock of CHF 1.370 billion of foreign direct investment in Switzerland. SwissHoldings member companies are important direct investors. Their capital stock amounted to Fr. 444 billion at the end of 2019. Accordingly, it is a key concern of SwissHoldings that investment activity is maintained, and that Switzerland is not weakened as an investment location. This is of particular importance given that 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 investment from abroad is intensifying. However, Switzerland is dependent on foreign investment for its growth and prosperity. 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 granted the highest possible degree of transparency and legal certainty. SwissHoldings will actively accompany the preparation of the draft legislation. Confidence in Switzerland as an open - but already not barrier-free - investment location and in liberal economic policy must be maintained.

Corporate social responsibility

Responsible Business Initiative

Current status	The popular initiative was put to the vote on 29 November 2020. economiesuisse was in the lead for the business campaign. SwissHoldings was carrying out a complementary campaign. The initiative narrowly won the majority of the people (50.7% in favor) - but the bill was rejected thanks to a clear failure to win a majority of the cantons (cantons: 14.5 NO, 8.5 YES). This paves the way for the entry into force of the indirect counterproposal. On 14 July 2021, SwissHoldings participated in the consultation process for the ordinance that fleshes out the outstanding points of the counterproposal.
Outlook	From SwissHoldings' perspective, the goal of ensuring targeted and internationally coordinated regulation about "corporate social responsibility" for Switzerland remains unchanged. The entry into force of the counterproposal represents an important step in this direction. The Association welcomes the draft ordinance on the implementation of the counterproposal. With the proposed instruments Switzerland has a future-proof solution that considers the most important concerns of the economy. However, the associated new obligations are challenging, particularly regarding child labor. There is a need for adaptation of individual, technical points, in order to give companies more clarity with regard to the expectations of the legislator. In addition, it must be ensured that the requirements for companies regarding child labor are implementable and that open questions on non-financial reporting are regulated.

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

Current status	With the "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 the goal of sustainable development as an important requirement for all federal policy areas. The Federal Council has defined the three priority themes of "sustainable consumption and production", "climate, energy, biodiversity" and "equal opportunities" as strategic directions for federal policy. 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.

	At its meeting on 4 November 2020, the Federal Council sent the strategy out for consultation. The consultation lasted until 18 February 2021. SwissHoldings submitted a statement as part of this consultation. The Strategy 2030 and the associated Action Plan 2021-2023 were adopted by the Federal Council on 23 June 2021. SwissHoldings advocates appropriate regulation in corporate social responsibility. In Switzerland, the Federal Council's National Action Plan on Business and Human Rights (NAP) and SECO's CSR Position Paper point in the right direction by focusing on international standards and best practices. On the important issue of corporate social responsibility, only an internationally coordinated approach can achieve the desired results. On 15 January 2020, the Federal Council approved the revised Action Plans 2020 - 2023 on corporate social responsibility and business and human rights. In December, the body announced the content and thrust of the revision of the NAP. The Federal Council is building on the results achieved to date and will continue to support companies through effective measures. On 14 September 2021, the Swiss Forum on Business and Human Rights will take place, with a cross-stakeholder exchange on good practices and best practices. The Federal Council has also revised its position paper and action plan on corporate responsibility for society and the environment. From a strategic perspective, the thrusts have now been adapted in such a way that the stakeholder dialogue has been strengthened and the review of the implementation of CSR instruments has been expanded. In addition, greater emphasis was placed on the topic of digitalization.
Outlook	The Federal Council's action plans are currently being implemented. SwissHoldings supports the work of the Confederation in this area within the framework of the Federal Commission to Advise the NCP (NCP Advisory Council) and the Support Group for the National Action Plan "Business and Human Rights".

Accounting and reporting

IFRS Standards

Current status	Regarding IFRS standard setting, specific emphasis should be placed on the IASB agenda consultation currently underway. The IASB opened a consultation on it proposals for the 2022- 2026 work program. The IASB conducts this process on a regular basis to align its work activities with stakeholder priorities and capacities. One focus area is sustainability reporting, which is becoming increasingly important for the IFRS Foundation. In addition, no fewer than five other IASB consultations are currently underway. Among these, the pilot project on disclosure requirements (Disclosure Initiative) is probably the most important: a new concept on the type and scope of disclosures in the notes is being proposed and tested using the example of two standards (IFRS 13, IAS 19); these principles are to be used as a basis for the other IFRSs later. The aim is to find a good balance between information richness and materiality.

	The IFRS held a consultation at the end of 2020 (link to SwissHoldings' statement) to clarify whether there is demand for an extension of the IFRS to non-financial reporting. Based on the consultation responses, the IFRS Foundation Trustees have published a statement clearly showing the desire for IFRS activities in sustainability reporting. At the same time, a draft was published that amends the IFRS Foundation Constitution to allow for the establishment of an International Sustainability Standard Board. The new body will take care of the development of standards in sustainable corporate governance. The draft amendment to the IFRS Foundation Constitution was consulted on until 29 July 2021.
Outlook	SwissHoldings will continue to actively follow the development of IFRS accounting and participate in relevant consultations.

Developments on EU level

Current status	At EU level, the issue of sustainability is at the center of public debate. In the context of this discussion, the European Commission has become active through various initiatives. In the area of reporting, the focus is primarily on three regulations. On the one hand, there is 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 directive on non-financial reporting also impose new requirements on companies from the real economy. The Taxonomy Regulation introduces a classification system for environmentally sustainable economic activities. This system aims to promote sustainable investment 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. More information on the status of the proposal can be found in the subsection "Sustainable Finance". In addition, the directive on non-financial reporting is currently being revised. The European Commission carried out a consultation on this in spring 2020 (link to the SwissHoldings statement). On 21 April 2021, the European Commission has now published the draft revision under the new name Corporate Sustainability Reporting Directive (CSRD). This includes the following key values: • The scope of application is extended to all large as well as all listed companies. • Companies are required to prepare their non-financial reports in accordance with a binding EU standard. • Audit of non-financial information by independent third party becomes mandatory. • The information must be published in electronic format together with the annual report. In addition, the European Commission is currently considering possible regulation in sustainable corporate governance. It opened a consultation on this at the end of October 2020. A draft regulation is expected in Q3 2021.

Outlook	SwissHoldings welcomes the initiatives for improved transparency of ESG risks and consolidation of the requirements for companies in this regard. However, it is important to bear in mind that companies already report extensively on their sustainability efforts as part of their financial and non-financial reporting. This is associated with considerable expense. A possible expansion of the requirements should be sufficiently flexible, practicable and internationally coordinated and must not lead to competitive disadvantages for companies. SwissHoldings is following ongoing developments and continues to provide support, particularly within the framework of the working group of the umbrella organizations at European level.

Capital Markets

Sustainable Finance

Current status	The topic of "sustainable finance" has gained importance in parallel with sustainable corporate governance. Particularly in the discourse surrounding the Paris Agreement, it has become clear that private investors have an important role to play in combating climate change. The subject of these considerations is that the participation of private investors ensures that market mechanisms can perform their important guidance function and thus that resources flow towards the most promising sustainable investment assets. Sustainable finance has long reached the financial markets. The number of sustainable financial 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. As early as 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 24 June 2020, the Federal Council adopted a report and guidelines on sustainability in the financial sector. The stated 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, • strengthening legal certainty in relation to fiduciary duties or in relation to the consideration of climate/environmental risks and impacts, • strengthening the consideration of climate/environmental risks and impacts in financial stability issues; and • monitoring developments at international and EU level. The Federal Council intends to address these in cooperation with the industry and other interest groups. The four pillars were further specified in December 2020 and the Federal Council adopted the following measures:

- Development of a binding implementation of the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD) - whereby the Federal Council adopted the key parameters for future binding climate reporting by large Swiss companies on 18 August 2021. The Federal Department of Finance is to prepare a consultation draft by summer 2022.
- Proposal to adapt financial market law to avoid greenwashing by autumn 2021.
- Recommendations to financial market actors 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.
- Expansion of Switzerland's involvement in international environmental conferences and initiatives.

In line with the Federal Council's objectives, the Green Fintech Network presented an action plan for a green and innovative Swiss financial center in April 2021. This includes 16 proposals ranging from the establishment of a platform for sustainability data and the launch of an Innovation Challenge for green fintech startups to the promotion of open finance or the expansion of financing opportunities for green fintechs. The action plan calls for improved non-financial reporting by companies and actively supports the implementation of the TCFD and the development of Nature-related Financial Disclosures (TNFD).

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 initiatives, including the Taxonomy Regulation, which is particularly relevant for companies. The regulation, which came into force in 2020, provides a framework for assessing the environmental sustainability of economic activities and obliges companies affected by the regulation to report on it. The regulation is guided by six environmental 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 conservation of biodiversity and ecosystems.

The delegated acts further specifying the information to be disclosed and the methodology for its preparation were adopted by the European Commission on 6 July and will now be sent to the European Parliament and the European Council for review within four months. Non-financial companies will have to disclose turnover, capital and operating expenses related to environmentally sustainable economic activities under Taxonomy regulation, the delegated acts on climate targets and future delegated acts on the other targets. The timetable requires initial qualitative information and information on the proportion of activities covered by the Taxonomy to be disclosed for the 2021 reporting period as early as 1 January 2022. Companies must prepare the first full report for the 2023 reporting period.

In addition, discussions are already taking place on how the Taxonomy could be extended to the area of social sustainability.

Also on 6 July, the European Commission published the revised Sustainable-Finance Strategy, which is specifically designed to finance the transition to a sustainable economy. It proposes measures in the four areas of: Transition Finance, Inclusivity, Resilience and Contribution to the Financial System and Global Ambition. The European Commission will report on progress in implementation in 2023.

	Developments in sustainable financing and the regulatory innovations also affect companies outside the financial sector.
Outlook	SwissHoldings welcomes the new role assigned to business in climate protection and sustainable development. Markets allocate resources effectively so that the marginal benefit for ESG factors can be maximized. For SwissHoldings, it is therefore important that investors continue to be able to use their discretion regarding corporate financing to determine which companies or technologies they consider to be particularly fit for the future. The overriding goal must be to give all companies the opportunity to adapt their business model and transform towards greater sustainability. The association will follow current developments in this area and monitor relevant transactions.

Monetary Policy SNB

Current status	In the current extraordinary times resulting from the "COVID 19" challenges, the Swiss National Bank (SNB) is increasingly coming under the spotlight. At parliamentary level, various proposals have been discussed with the aim of tying the SNB's distributions to certain purposes. Specifically, there is a motion by National Councilor Alfred Heer, which would like to allocate the income from negative interest directly to the AHV. The profit distribution key - two-thirds for the cantons and one-third for the Confederation - is to be left as it is, but the negative interest is to be redistributed over the years from the Confederation's share to the AHV. In this way, the federal share is to be reduced by the amount of negative interest levied. This motion was adopted in the National Council but rejected in the Council of States in the last summer session. Another WAK-N motion calls for the federal share of future SNB distributions to be used directly to reduce the Corona debt. These motions were also adopted in the National Council. However, they still must clear the hurdle in the Council of States.
Outlook	SwissHoldings will closely monitor ongoing developments. From the association's perspective, the SNB's distribution practice to date has proven its worth. The organization takes a critical view of the "politicization" or further earmarking of the SNB's profits.