SwissHoldings Update

October 2022

Overview (Clickable Titles)

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

SwissHoldings

Law Department

Competition Law

Revision of the Cartel Act

Current Status & Outlook	On November 24, 2021, the Federal Council opened a consultation on the partial revision of the Cartel Act (KG). The core element of the partial revision is to modernize Swiss merger control. By changing from the current Qualified Market Dominance Test to the Significant Impediment to Effective Competition test (SIEC test); the review standards for the Competition Commission (WEKO) will be adapted to international practice according to the Federal Council. As a result, civil antitrust law and the opposition procedure are also to be improved. In addition, the Federal Council has included two demands within the partial revision of Motion 16.4094 Fournier, calling for the "Improvement of the Situation of SMEs in Competition Proceedings". These two demands relate to the administrative proceedings under antitrust law. The first demand insists that the process should be accelerated by introducing time limits. The second includes that compensation be provided to the parties in the first instance proceedings; even before the competition commission is to be introduced. Finally, the Federal Council makes a proposal for the implementation of the Français Motion adopted in June 2021 "The revision of the Cartel Act must take into account both qualitative and quantitative criteria to assess the inadmissibility of a competition agreement" (link media release and consultation documents). SwissHoldings participated in the consultation (link consultation response) and positions itself as follows: - The bill needs to be substantially revised before it can be adopted because of two important elements: the inclusion of an institutional reform and the absence for the consideration of compliance efforts in the sanction assessment. It is conceivable that a working group with various stakeholders under the leadership of the Federal Government will be established for this purpose. In this case, we consider it central that the interests of the large companies in particular are also represented in such a group via SwissHoldings. - In taking up institutional reform, the goals considered in 2012 are to be pursued further. This relates in particular to a necessary improvement in the rule of law through the separation of investigation and decision-making. - The consideration of compliance efforts in the assessment of sanctions could, for example, be included in the Cartel Act by way of an addition to Art. 49a para. 5 VE-KG and be structured analogously to the regulation in Germany. - In our view, the introduction of the elements proposed in the preliminary draft - with the exception of the important implementation of the Français Motion - have a subordinate role compared to the inclusion of institutional reform and the consideration of compliance efforts.

Corporate and Capital Market Law

Regulation of Loyalty Shares

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

Regulation Concerning Beneficial Owners and Bearer Shares

Current Status & Outlook	In the future, as has been the case in the past, regulatory efforts under stock corporation law are likely to arise in connection with the recommendations of the Global Forum on Transparency and Exchange of Information for Tax Purposes and the Financial Action Task Force on Money Laundering (FATF). Switzerland often regulates each case within national law to ensure that they comply and adopt many recommendations made by various international entities. In these areas, SwissHoldings' general concern is to ensure that Switzerland does not end up on blacklists with such entities because it does not sufficiently implement their recommendations. At the same time, unnecessary restrictions on the freedom of action, as well as unnecessary bureaucracy for the (listed) companies must be avoided. Currently, the following two developments should be noted in particular: - Postulate 19.3634 and status report Global Forum (link Postulate)*:* The Postulate instructs the Federal Council to submit a status report by the end of 2021 on the implementation of Bill 18.082, "Implementation of the recommendations on the Global Forum on Transparency and Exchange of Information for Tax Purposes." If necessary, the Federal Council is to submit proposals for the amendments. The Federal Council published the status report on December 3, 2021 (link status report). In this report, it states, among other things, that international developments at FATF, EU and OECD level would show that an increased trend towards further tightening of corporate transparency obligations is underway. Consequently, Switzerland would in due course conduct an analysis of its national legislative bases and their effectiveness. As a result, this would implement appropriate options as an objective for the Federal Council's Financial Market Policy in the area of integrity and international positioning. - Revision of FATF Recommendation 24 on Transparency and Beneficial Owners of Legal Entities: This mainly concerns the topic of beneficial owners and possible introduction of a central register or an alternative mechanism for beneficial owners. In addition to the possible tightening of restrictions on bearer shares. The revision of Recommendation 24 at the international level has already been underway for some time. The FATF officially adopted the revised Recommendation on March 4, 2022 and will

	develop guidance on it by March 2023. The FATF held two public consultations on this in the summer and winter of 2021, in each of which SwissHoldings participated (see detailed link Statement for our position). Following the adoption of Recommendation 24 at the international level, work will now follow at the national level to implement the recommendations made at the international level.

Exchange Equivalence - Extension of the Exchange Protection Measure and the Transition into Ordinary Law

Current Status & Outlook	On 30 November 2018, the Federal Council issued an Ordinance directly based on Art. 184 para. 3 of the Swiss Federal Constitution to protect the Swiss stock exchange infrastructure (safeguard measure) after the European Commission had not extended Switzerland's EU stock exchange equivalence. The safeguard measure ensures that EU securities firms can continue to trade Swiss equities on Swiss trading venues even without EU stock exchange equivalence. The Federal Council's Ordinance on the stock exchange protection measure was set to expire on December 31, 2021, and can only be extended once by the Federal Council. After that, it must be converted into ordinary law in order to continue to apply. Since the EU has not yet extended the EU stock exchange equivalence, the Federal Council has now extended the Ordinance. Concurrently, it is proposing the transfer of the Ordinance on the protective measure to the Financial Infrastructure Act (FinfraG) (link media release). SwissHoldings participated in the consultation process (link statement) and essentially stated the following in its opinion: – We welcome the extension of the exchange protection measure and transfer to Ordinary Law. Our members would still prefer Plan A, exchange equivalence, and believe that Switzerland should continue to actively seek to obtain recognition of equivalence. In particular, it is important to note that the disadvantages of not obtaining recognition of equivalence could increase in the near future. However, as long as equivalence is not possible, our members are clearly in favor of extending Plan B, the exchange protection measure. – Sensible transfer to Ordinary Law without changing the content of the measure is very important. As a proven and tested tool in the sense of maintaining a balance of the bill, we believe that the measure should be transferred to Ordinary Law as unchanged as possible. Accordingly, we welcome the fact that the bill essentially corresponds to the previous ordinance. – Time Limit to be Supported: Furthermore, we are also in favor of the time limit of five years provided for in the final provisions. We welcome the fact that this takes into account the exceptional and temporary nature of the recognition obligation. On June 22, 2022, the Federal Council adopted the transfer measures for the protection of the Swiss stock exchange infrastructure into the Financial Infrastructure Act (FinfraG) (link media release and documents). SwissHoldings welcomes the planned transfer of the Stock Exchange Protection Measure into Ordinary Law and will actively accompany the parliamentary deliberation. Parliament is expected to deal with the bill for the first time in the second half of 2022.

Art. 24 FinfraV and the Self-Regulation Concerning the Stock Exchange

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

Revision of SER Regulations on Ad-hoc Publicity

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

Civil Procedure Law

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

Current Status & Outlook	In 2018, a **consultation on t**he amendment to the Code of Civil Procedure was carried out. It particularly concerned the dismantling of cost barriers, collective legal protection and the implementation of the parliamentary initiative Markwalder (16.409). Specifically, providing the right to testify and refuse to disclose in-house legal services employees. At the time, SwissHoldings participated in the consultation process and spoke out in favor of professional secrecy protection for in-house counsel. (link consultation response). Bill 20.026 concerns the implementation of the parliamentary initiative Markwalder (16.409) for a right to testify and refuse to disclose in-house legal services employees. This is extremely important from SwissHoldings' point of view. It also concerns various amendments to the Code of Civil Procedure, which only marginally affects the members of SwissHoldings. The two chambers of Parliament have now discussed the bill. Although Parliament would like to tighten up the Federal Council's technically more convincing draft. However, the National Council deleted the problematic requirement of reciprocity introduced by the Council of States. The version decided by the National Council essentially states that in the case of commercial companies; a party may refuse to cooperate with the activities of its in-house legal service and does not have to hand over documents if the legal service is headed by a person who has been admitted to the bar and the activity in question would be considered profession-specific if performed by a lawyer. The bill is now in the procedure for the revision of differences. The decision of the National Council is the right step for strengthening Switzerland as a business location. However, since the Council of States has not yet been able to resolve all the differences. Therefore, the bill will go back to the National Council and it will be discussed by the RK-N on November 11, 2022. Consequently, the revision of the Swiss Code of Civil Procedure is well on track and nearing completion. SwissHoldings supports the National Council's version and remains committed to ensuring that it will ultimately prevail.

SwissHoldings

Tax Department

OECD/G20 Project on Taxation of the Digitalized Economy

Current Status	The project for the taxation of the digitalized economy is based on two pillars and aims to adapt international corporate taxation. Pillar 1, indicates that the roughly one hundred or so largest digital and varying corporations, will pay tax on a larger share of their profits in the countries where they sell their products. This is done via the so-called Amount A. In Pillar 2, in which the largest corporations are to be subject to minimum taxation of 15% in all their operating states. The work is being led by the OECD Secretariat on behalf of the G7 and G20. The project is decided by the "OECD/G20 Inclusive Framework on BEPS " (IF), which comprises around 140 countries. On October 7-8, 2021, 136 of 140 IF countries adopted a statement with various policy parameters on the two pillars (IF Statement). These were officially endorsed by the G20 Finance Ministers on October 14. We have reported on the exact parameters in past updates (link past updates). In December 2021, the Pillar 2 Model Rules were published (Link Model Rules). In mid-March 2022, the Commentary to the Model Rules was published (Link Commentary GloBE Rules). As there are still numerous open questions and detailed technical questions needed to be answered by the Implementation Framework at the end of 2022. This deals with the design of the GloBE tax return, safe harbor rules, simplifications and the drafting of administrative instructions. Both the tax administrations of the numerous countries and the many companies affected are currently waiting anxiously for all the promised documents to be issued. In view of the delay, it is assumed that the vast majority of countries will not implement the Pillar 2 rules as early as 2023 (original implementation date), but only at the beginning of 2024. In spring/summer 2022, intensive work was also carried out on Pillar 1 and a public consultation was held on the implementation plans, which have not yet been completed (Progress Report on Amount A). From the company's point of view, some plans appear to be quite difficult to implement. For instance, a great deal of work is still required by the OECD in order to have a completed Pillar 1 implementation package that can be presented to countries in a multilateral convention for ratification by the first half of 2023. According to the current - extremely ambitious - timetable, which highlighted that a critical number of countries have signed and ratified the convention. Whereby, the additional taxation in favor of the sales countries will come into effect by 2024. However, there are considerable doubts about this implementation timetable by the OECD. Various circles even assume that Pillar 1 will not be implemented in the way currently envisaged for the foreseeable future. Global Tax Reform was given a boost in 2020 by President Biden's US Administration, which is pushing ahead with US reform in parallel. As a result, the Biden Administration wants to increase corporate taxes in the USA and eliminate some business-friendly special rules (Build Back Better Act [BBB]) in order to finance improvements to the US infrastructure and

various new social projects. It was generally perceived that the U.S. and its corporations would be granted special rules under Pillar 2. Therefore, with GILTI, the U.S. would be allowed to apply a deviating minimum tax calculation system with different rules (minimum tax rate, tax base, etc.), which would still be aligned with the OECD GloBE system in the course of the above-mentioned U.S. reform (so-called GILTI equivalence). However, the Biden Administration plans were significantly modified by the US Congress. As a result, the rules adopted by the U.S. Congress, as part of the Inflation Reduction Act, provides for significant differences from the OECD's GloBE rules. For example, the (unchanged) U.S. GILTI minimum taxation rules for U.S. corporations continue to provide for global blending and not country-by-country blending when calculating compliance with the 15 percent minimum taxation. Also, the U.S. tax base differs substantially from the GloBE tax base, which is based on the requirements of international accounting standards such as IFRS. Against the background of these different rules between the USA and the rest of the world, it is currently unclear how a system of equal treatment can be created for US companies and companies from other countries (so-called GILTI equivalence). It also seems unlikely that the US Congress will approve Pillar 1 in the USA.

Not only in the USA, but also in the EU, the project to tax the digitalized economy is struggling with political difficulties. For example, Hungary continues to oppose ratification of the EU directive on minimum taxation, which must be approved by all EU member states. The directive was not even included on the agenda for the Ecofin meeting in early October. However, as early as September 9, five important EU member states (Joint Statement by F, D, I, NL, E) announced their intention to introduce minimum taxation unilaterally, even without an EU directive. Despite problems in the USA and also in the EU, the OECD minimum taxation is likely to be implemented by the vast majority of important jurisdictions at the beginning of 2024.

Implementation in Switzerland:

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

In June, the Federal Council approved the dispatch on the constitutional amendment in Parliament. In contrast to the consultational draft, 25 percent of the supplementary tax revenue will go to the Federal Government. This is in line with a corresponding decision by the Conference of Cantonal Finance Directors. The cantons are free to decide on the use of any additional revenue.

On September 28, the Council of States dealt with the Federal Council's bill and passed it with only a minimal adjustment. In November, the Committee for Economic Affairs and Taxation (WAK) will deal with the bill, followed by the plenary session of the National Council in the winter session in December. The differences are also to be resolved during this winter

	session, after which the bill can be submitted to the Swiss electorate in June 2023. In parallel to the constitutional vote, the Federal Council is pressing ahead with the enactment of the Federal Council Ordinance on the Implementation of the OECD Minimum Tax. Since important procedural and implementation regulations have yet to be determined by the OECD's Implementation Framework, the consultation on the ordinance will be conducted in stages. In August, the Federal Council presented the first draft of the ordinance, which appears to be limited in two areas. In order to rule out differences in the Swiss implementation of the GloBE rules, the ordinance contains a direct reference to the OECD's Pillar 2 model rules. Furthermore, the draft ordinance regulates the distribution of the supplementary tax revenues between the cantons according to the source. The tax revenues from the Swiss supplementary tax are to be allocated to those cantons whose companies/business units have paid the supplementary tax. Cantons in which the business units already pay more than the minimum tax amount in the form of profit and capital taxes (which is why the business units have not paid any supplementary tax at all) will - in logical application of the polluter pays principle - not receive any share of the supplementary tax revenues. This does not apply to compensation for administrative tasks of a head office canton. When the Federal Council will present the second draft ordinance depends on the completion of the work of the Implementation Framework. In particular, the second draft ordinance will contain important procedural provisions. If the constitutional amendment is approved by the Swiss electorate, the (definitive) Federal Council ordinance should be issued in the second half of 2023 and put into effect on January 1, 2024.
Outlook	With the IF Statement of October 2021, the publication of the model rules, the commentary and the further implementation documents of the Implementation Framework are still expected in 2022. The OECD and G20 have reached all the milestones needed for the introduction of the global minimum tax from 2024. While the statement was supported by a large number of countries, uncertainty prevails as to how things will proceed in the USA with regards to the GILTI adjustment. Despite certain political obstacles, a failure of Pillar 2 can therefore be virtually ruled out. In the case of Pillar 1, on the other hand, further delays should be expected. These may well continue for several more years before a multilateral convention can be submitted for ratification. Important technical issues still need to be settled for Pillar 1. These issues have significant implications for the tax revenues of politically important industrialized countries. In any case, an agreement and ratification of Pillar 1 by a large number of important industrialized countries (especially the USA) currently appears uncertain. Assessment of the consequences for Switzerland and further action: Effects of Pillar 1: The requirements of the OECD's digital taxation project are not in Switzerland's interest. For example, Pillar 1 provides for a shift in the taxation of profits from large, profitable groups to the sales states. Those group companies that generate the highest value added, will be required to hand over the earnings. Switzerland is a business location where Swiss and foreign companies carry out activities with particularly high value added. As a result, Switzerland will have to relinquish significantly more tax substrate from domestic and foreign companies than other industrialized countries. At the same time, Switzerland is an insignificant sales market in global terms. It will therefore hardly be able to compensate for the aforementioned revenue shortfall with the new tax substrate that it receives as a market state.

	Overall, Switzerland is therefore likely to be one of the losers in Pillar 1. Effects of Pillar 2: The situation is similar for Pillar 2 (minimum taxation). Low taxes on profits are an important reason why international companies carry out activities with high value added and high profits in Switzerland. The low taxes partially compensate for the very high Swiss wages in international comparison. If other countries succeed in achieving the OECD's minimum tax rate of 15% with tax measures (e.g. patent box), Switzerland will lose the important location advantage for taxes. If other countries also have lower wages and other costs than Switzerland, in addition to whether they grant additional non-fiscal incentives, Switzerland will probably have a much tougher time competing internationally as a business location. At risk are the particularly lucrative value-added activities (research, management and other so-called principal functions). These activities are particularly lucrative not only for corporate profit taxes but also for personal income taxes (taxation of employees) and social security revenues (AHV, etc.). Implementation is Required: Nevertheless, it is imperative that Switzerland adopts the requirements of the OECD's digital taxation project. For example, if Switzerland were to refuse to implement the minimum taxation requirements, this would do more harm than good to the Swiss Economy and the Swiss Treasury. The additional tax substrate from minimum taxation would simply move abroad instead of into Switzerland and Swiss companies would be exposed to constant conflicts with foreign tax authorities. The impact of OECD digital taxation on Switzerland is therefore greater than generally assumed. If Switzerland does not adapt to the changed location competition and uses new location measures such as those that have long been used by less attractive countries, the result is likely to be a considerable loss of revenue within a few years. However, for the Swiss economy, which is strongly internationally active, only internationally permissible measures come into question. Maintaining R&D Attractiveness: An important area for Switzerland is research. The patent box, the generally low tax rates and the cantonal optional R&D deduction are tax measures that contribute significantly to international companies carrying out significant research and development activities in Switzerland. Tax incentives for research in their current form will only be possible to a very limited extent in the future due to the OECD minimum taxation. Even in the canton of Zurich, a patent box could in many cases lead to low effective taxation. Therefore, tax incentives for research should be adapted to meet the new international requirements. Permissible according to the OECD guidelines is an R&D promotion that provides for a reduction of the tax amount and is independent of the amount of profit taxes (Art. 4.1.3 resp. definition "Qualified Refundable Tax Credit in Art. 10.1 of the Model Rules). In order to ensure that Switzerland does not lose ground internationally in terms of fiscal research promotion, OECD-compliant research promotion should be strongly expanded. Switzerland can learn a lot from other countries where such research funding is common practice (France, Austria, UK, etc.). Preservation of other value-added intensive activities: Many Swiss companies affected by the OECD minimum tax and large Swiss subsidiaries of foreign companies do not engage in research activities, but in management, purchasing and other principal activities in Switzerland. Switzerland should also provide instruments for them so that they can continue their value-added activities here and continue to pay substantial

taxes on profits to the Swiss tax authorities. Here, too, interesting solutions exist in foreign countries.

With regard to Swiss implementation, SwissHoldings is of the opinion that existing structures that have proven themselves over many years should not be adapted without necessity. Like the Federal Council, SwissHoldings is skeptical that the assessment of the minimum tax should be transferred from the cantons to the Federal Government. The assessment of the profit tax is the task of the cantons. The Confederation exercises a supervisory function in the area of direct federal taxation. The cantons should therefore also be in the lead with regard to the minimum tax. The head office canton should play an important role. It should have a certain lead function.

The necessary cooperation between the cantons in the GloBE assessment should be ensured by a new intercantonal body to be created. Since the defense of the assessments against other states is carried out by the Confederation (Federal Tax Administration or State Secretariat for International Financial Matters), the Confederation should also play an active role in this body. It is also important that the accounting specialists of the Competence Center start their work as early as possible at the beginning of 2023. Close cooperation between the accounting specialists of the administration and the companies is also important. Particularly in the first years of the introduction of the OECD minimum taxation, there will probably be a lack of clear answers to numerous technical questions from the OECD experts. A close exchange between the administration and business should help to significantly reduce legal uncertainty.

In accordance with the existing tax provisions of the Federal Constitution, the additional revenues from the supplementary tax clearly and exclusively belong to the cantons and not to the Confederation (Art. 128 para. 1 let. b BV). This distribution is also factually correct, since the cantons could set the tax rates in such a way that there would be no Swiss supplementary taxes at all: apart from absolutely exceptional years,. Nevertheless, the Conference of Cantonal Finance Directors has decided to allocate a quarter of the supplementary tax revenues to the Confederation. The Federal Council has adopted this distribution and included it in the message on the constitutional amendment. The Council of States also supports this distribution (decision of September 28). However, in view of the discussion in the National Council, voices are currently being raised that would like to allocate a higher share to the Confederation. However, such an allocation would be financially counterproductive for the Confederation. The same applies to the NFA beneficiary cantons. Financially, the Federal Government is the biggest beneficiary of the cantons' efforts to attract the best taxpayers internationally with particularly high employee salaries (income taxes). As a result, profit tax revenues have increased by 550 percent since 1993 to more than CHF 12 billion. Attractive profit tax rates in the cantons are a particularly important reason for this. For example, up to two-thirds of a profit tax franc that accrues in a tax-attractive canton goes directly to the Federal Government. In about 2/3 of the cantons, at least half of the profit tax revenue goes directly to the Federal Government. The OECD minimum taxation will lead to a paradigm shift in the location competition of the states for the most profitable corporate functions. The profit tax factor will lose importance and tax competition will decrease. Numerous cantons will thus partially lose one of their most important locational advantages. The vast majority of cantons will therefore be dependent on supplementary tax revenues to restore their attractiveness to their best taxpayers and employers and to create new locational advantages. If the cantons succeed in this, profit tax revenues will continue to bubble up in the future. In financial terms, the biggest profit driver of successful cantons will continue to be the

	Federal Government. Therefore, the National Council should absolutely respect the compromise of the cantonal finance directors and under no circumstances allocate more than 25 percent of the supplementary tax revenues to the Federal Government. If the National Council decides on a higher share of supplementary taxes, it will in fact punish the economically successful cantons and reduce their motivation to attract the best taxpayers. Many cantons are unlikely to put up with this and will adapt their tax system so that there are no more Swiss supplementary taxes at all and the Federal Government comes away completely empty-handed. Instead of additional revenues, the Federal Government is likely to see billions in revenue shortfalls after just a few years. SwissHoldings is therefore of the opinion that short-term additional revenues from the supplementary tax should not tempt the Federal Government to jeopardize Switzerland's long-term financial success factors. In general, the following aspects are central to Swiss implementation: ● International acceptance ● Simple legislative and administrative implementation ● Securing the attractiveness of the cantons as business locations ● Compliance with international timelines ● High flexibility ● Recognition of minimum taxation, particularly from a U.S. tax perspective

SwissHoldings

Department of Economics

Trade and Investment Policy

Bilateral Relations Switzerland / EU

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

Free Trade Agreement

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

Investment Control

Current Status	The introduction of investment controls is also currently being discussed in Switzerland. On May 18, 2022, the Federal Council published the preliminary draft of a new Investment Control Law and submitted it for consultation. Prior to this, Parliament had called for a corresponding legal basis by adopting motion 18.3021 Rieder. The proposal is to introduce a reporting and approval requirement for certain acquisitions of domestic companies The Federal Council presented a regulatory impact assessment on the preliminary draft as part of the consultation process. The RIA concludes that the cost-benefit ratio of such a new law is unfavorable. Consequently, the panel continues to oppose the introduction of an investment audit. It considers the existing legal framework to be sufficient. SwissHoldings participated in the consultation response (link consultation response) and Federal Law on the Audit of Foreign Investments (swissholdings.ch) essentially stated: – Foreign direct investment is central to Switzerland. In the small and open Swiss economy, the prosperity of the population and the competitiveness of companies depend directly on integration into global value chains. – Since Swiss companies themselves are among the largest direct investors abroad, Switzerland has a particular interest in accessing international investment markets as non-

	discriminatory and transparent as possible. Switzerland is most likely to achieve this if it shows itself to be open to foreign investment. – The Federal Council presented a Regulatory Impact Assessment (RFA) on the preliminary draft as part of the consultation process. The RIA concludes that the cost-benefit ratio of such a new law is unfavorable: for this reason, the panel remains opposed to the introduction of an investment audit. It considers the existing legal framework to be sufficient. SwissHoldings supports this position. – However, the question of whether Switzerland should introduce an investment audit cannot be assessed in isolation from international developments. If OECD member states introduce restrictions on certain foreign investments across the board, then this must be taken into account when assessing the Swiss regulatory approach - not least to prevent a pull effect being triggered on the Swiss economy. – In this context, the present draft represents a compromise. In order to keep the legal risks for the economy as small as possible, such a state intervention mechanism should be examined in the context of a targeted, administratively lean and transparent design. It is also important that the regulation is compatible with Switzerland's existing obligations under international law.
Outlook	The consultation process for the bill lasted until September 9, 2022. Based on the responses to the consultation, the Federal Council will prepare the draft law and probably submit it for parliamentary deliberation next year. The law is not expected to enter into effect before 2024.

Investment Protection Agreement (ISA)

Current Status	Switzerland has a network of a total of 111 bilateral investment protection agreements (ISA). According to UNCTAD, Switzerland thus has the third-largest network of such agreements in the world after Germany and China. By concluding ISAs, Switzerland improves the framework conditions and thus its attractiveness as a location for international investments. Due to a change in practice by the Federal Council, ISAs are now subject to an optional state treaty referendum in addition to free trade agreements. The first ISA to be subject to consultation is the new ISA with Indonesia. The agreement closes the gap in the treaty that has existed since the previous agreement expired in 2016. SwissHoldings participated in the consultation (link statement) and essentially stated: – Direct investment is central to Switzerland: In the small and open Swiss economy, the prosperity of the population and the competitiveness of companies depend directly on integration into global value chains. – Investment promotion and protection treaties are of essential importance: For companies, foreign investments are not only

	associated with economic risks, but also with political risks. This makes treaties between states to protect and promote foreign investment all the more important. – Effective investment protection requires an investor-state arbitration mechanism: – The investor-state dispute settlement procedures have proven their worth both for Switzerland and for Swiss companies. They build on existing international structures (ICSID, UNCITRAL) and enable disputes to be resolved in a relatively timely, fact-oriented and politically independent manner. – The design of investment protection has been steadily developed in recent years: The system of investment jurisdiction has been steadily developed in recent years - particularly with regard to legal certainty and protection against its misuse. The Association has always supported the relevant work for the further development of the system. – SwissHoldings supports the present investment protection agreement with Indonesia: The content of the agreement corresponds to current standards and closes a critical gap in the agreement, which was created by the termination of all bilateral investment protection agreements by Indonesia in 2014. In combination with the free trade agreement between the EFTA states and Indonesia, which entered into effect in 2021, the investment protection agreement is expected to significantly strengthen the trade and investment dynamics of Swiss companies in Indonesia in the medium and long term.
Outlook	SwissHoldings will continue to closely follow the regulatory developments around the investment agreements and in this context will point out the great importance of the ISA and international arbitration for Swiss companies and Switzerland as a business location.

Corporate Social Responsibility

Corporate Responsibility Initiative

Current Status	The popular initiative was rejected at the ballot box on November 29, 2020. This paved the way for an indirect counter-proposal. The Federal Council presented the ordinance on the indirect counter-proposal on December 3, 2021. The new obligations were based on the EU regulations and in some cases go beyond them. The law will come into effect as early as January 1, 2022. This means that Swiss companies will have to report in accordance with the new rules for the first time, as of the 2023 financial year. At the beginning of 2021, the Federal Council announced that a draft would be prepared to make the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD) binding for Swiss companies from all economic sectors. However, the counter-proposal to the Corporate Responsibility Initiative (CCI) also introduces provisions in the CO on disclosure on non-financial matters, including environmental matters (in particular on CO2). In order to avoid duplication, the TCFD recommendations are to be implemented within the framework of an executive order on the counter-proposal UVI. The implementation ordinance is to be understood as the actual "third pillar" of the counter-proposal. SwissHoldings participated in the consultation on the TCFD regulation (link opinion) and essentially stated: – Meaningful information from all stakeholders is an important prerequisite for functioning markets. In this sense, SwissHoldings supports the aim of the regulation to strengthen transparency on climate-related opportunities and risks. – For the association, it is central that sustainability data continue to be defined in a comprehensible context within the business strategy and financial reporting. The transfer of international recommendations such as TCFD into Swiss legislation should also be principle-based - whereby the criteria of relevance, feasibility and cost/benefit ratio should always apply to transparency requirements. – The regulation is intended to define clear minimum reporting requirements for companies. This objective has been missed. As it should be examined whether Switzerland could not closely follow the climate reporting legislation recently passed in the UK, with regard to the definition of these requirements. This legislation sets a clear framework for company reporting but without limiting its scope too much. – Another argument in favor of closely following this regulatory approach by the UK is that it leaves room for future developments. The field is currently undergoing dynamic international development. It should be possible to embed the developments through a modular way in this regulatory solution. – In addition, the ordinance is intended to provide the missing details on the section "Transparency on non-financial matters" (Art. 964bis CO), which go beyond the reporting on CO2 matters.

Outlook	The new obligations associated with the implementation of the counterproposal are challenging, especially in the area of child labor. The association will support the implementation work for the member companies and offer a platform for the exchange of expertise.

Developments at the EU level

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

Collective Legal Protection

Current Status	On December 10, 2021, the Federal Council presented the class action bill and passed it for the attention of Parliament. The bill provides for the expansion of the existing class action, in addition to the creation of a new class action for the assertion of compensation claims, and the possibility of settlements declared binding by the courts. The business community is critical of these plans, which the Federal Council would like to establish without prior consultation, and has submitted a joint submission in view of the preliminary deliberations of the Legal Commission of the National Council (RK-N) on June 24, 2022. During this meeting in June, the RK-N decided not to act on class actions because it was not possible to decide on the development of instrumental tools for so-called "collective redress" at that time. As essential questions had not yet been clarified. The FDJP was subsequently requested by the Commission to draw up a more comprehensive legal comparison for collective action rights in selected EU states, to examine alternative instruments for "improved access to justice" (including the adaptation of existing instruments), and to analyze the new technological possibilities for the efficient assertion of claims and the associated facilitation of coordination among affected parties. Furthermore, an estimate for the cost consequences of the discussed regulation regarding

	the affected Swiss companies was commissioned from the Department of Justice ("Regulatory Impact Assessment"). In light of these extensive clarifications, it is expected that further deliberations on the bill will resume by the second quarter of 2023
Outlook	SwissHoldings supports this decision. From the association's point of view, the business is not ready for political consultation.

Accounting and Reporting

IFRS Standards

Current Status	The IASB recently added five new projects to its work program based on the "Agenda Consultation 2021". The most important of these new priorities are the development of climate-related disclosure requirements and a revision to the accounting for intangible assets. In addition, the IASB has decided to launch a follow-up to IFRS 9 with a focus on financial instruments with ESG elements. However, the agenda for the Standard Setter has been strongly influenced by developments in sustainability reporting in recent months. Great progress has been made in this regard. However, the IFRS Foundation has significantly strengthened its institutional framework: while the Standard Setter's offices in Frankfurt am Main and Montreal have been significantly expanded.
Outlook	SwissHoldings will continue to actively follow and participate in relevant consultations regarding the work of the IFRS Foundation in both areas of financial reporting and sustainability reporting.

Sustainable Finance & ESG Reporting at the EU Level

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

Capital Markets

Exchange Equivalence - Extension of the Exchange and Protection Measure

Current Status	The EU granted Switzerland **stock exchange equivalence** only until the end of June 2019, but then did not extend it. For this reason, **Switzerland activated the measure to protect the Swiss stock exchange infrastructure on July 1, 2019**. Since January 1, 2019, foreign trading venues are subject to a recognition obligation, whereby they should admit certain shares of Swiss companies to trading or enable trading of such shares (see also link). In a meeting on June 22, 2022, the Federal Council adopted the dispatch on the transfer of the Stock Exchange Protection Measure into Ordinary Law. This step is necessary because the safeguard measure will otherwise cease to apply and the European Union (EU) has not yet recognized Swiss stock exchange regulation as equivalent. With this bill, the Federal Council wants to continue to avoid the negative effects that threaten Switzerland; as a stock exchange, financial and business location due to the lack of stock exchange equivalence in the EU. However, it remains convinced that Switzerland meets all the requirements for the unrestricted recognition of the equivalence of Swiss stock exchange regulation by the EU. Consequently, the Federal Council's goal remains for unlimited stock exchange equivalence. The Federal Parliament is expected to deal with the bill for the first time in the second half of 2022.
Outlook	SwissHoldings is supporting the bill on a cross-divisional basis and advocating for the interests of its member companies.

Monetary Policy SNB

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