SwissHoldings

SwissHoldings Update

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SwissHoldings is an association of industrial and service companies in Switzerland that includes 62 of the largest corporations in the country. Together, these corporations account for approximately 66 percent of the total market capitalization of the SIX Swiss Exchange. Globally, our member companies employ around 1.8 million people, with approximately 202,000 working in Switzerland. Through the numerous service and supply contracts they place with SMEs, Switzerland's multinationals employ - directly and indirectly - over half of all employees in Switzerland.

Law Department

Competition Law

Partial Revision of the Cartel Act

Current Status & Outlook	On November 24, 2021, the Federal Council launched a consultation on the partial revision of the Cartel Act (KG). According to the Federal Council the modernization of Swiss merger control is a key aspect of the proposed revision.This would involve changing from the current qualified market dominance test to the Significant Impediment to Effective Competition test (SIEC test), whereby bringing the standard of review by the Competition Commission (WEKO) in alignment with international practice. The proposed revision also aims to improve Civil Antitrust Law and the opposition procedure. Moreover, the Federal Council has incorporated two demands from motion 16.4094 Fournier, "Improvement of the situation of SMEs in competition proceedings," into the partial revision. These demands relate to administrative proceedings under Antitrust Law, with the introduction of time limits to accelerate the proceedings and the introduction of compensation for parties in the first instance proceedings before the Competition Commission. Lastly, the Federal Council will make a proposal for the implementation of the motion Français adopted in June 2021: "The revision of the Cartel Act must take into account both qualitative and quantitative criteria in order 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 requires significant revisions before adoption as it lacks two crucial elements: institutional reform and consideration of compliance efforts in the sanction assessment. To address this, a working group with various stakeholders under the Federal Government's leadership may be established. SwissHoldings believes it is central to represent the interests of large companies, particularly through its inclusion in the working group. - Regarding institutional reform, it is necessary to pursue the goals of the institutional reform considered in 2012, which aim to improve the rule of law by separating investigation and decision-making. - To include compliance efforts in the assessment of sanctions, an addition to Art. 49a para. 5 VE-KG may be included in the Cartel Act, structured similarly to the regulation in Germany. - In SwissHoldings' view, the introduction of the proposed elements in the preliminary draft, except for the implementation of Motion Français, has a subordinate role compared to the inclusion of institutional reform and the consideration of compliance efforts. On March 17, 2023, the Federal Council instructed the Federal Department of Economic Affairs, Education and Research (EAER) to submit a dispatch

	on the partial revision of the Cartel Act (KG) by mid-2023. Additionally, the EAER has been tasked with submitting a concrete proposal for an institutional reform to the Federal Council in the first quarter of 2024, running parallel to the revision work (link media release and documents). SwissHoldings is pleased to note that institutional reform, one of its key concerns, will be incorporated into the revision process. The organization intends to closely monitor the ongoing revision work and will actively advocate for the interests of its members.

Foreign Subsidies Regulation (FSR).

Current Status & Outlook	On January 12, 2023, the new EU Foreign Subsidies Regulation (FSR) entered into force and will have a retroactive effect from July 12, 2023. From early February to early March, the European Commission published its draft implementing regulation and conducted a public consultation. The final implementing regulation is expected to be adopted in the summer of 2023. The primary objective for the regulation is to prevent distortions in the EU market resulting from public subsidies granted by third countries. The regulation aims to transfer the existing state aid control, which applies solely to subsidies from EU member states, to subsidies from non-EU countries. Whereby empowering the European Commission as the sole enforcer with investigative tools such as new reporting obligations and investigative powers. However, the current formulation of the regulation is highly problematic for companies. As currently constituted, it is practically impossible to implement. In particular, it should be noted that the information that may fall within the scope of the regulation goes beyond the information required for any other regulatory investigation. Therefore, SwissHoldings, in collaboration with other associations and organizations at the European level, is striving to ensure that a better and more practical solution is swiftly found.

Corporate and Capital Markets Law

Regulation of Loyalty Shares

Current Status & Outlook	During the revision of the Stock Corporation Law, the implementation of loyalty shares was discussed, but ultimately, it was not included in the revised law. Instead, the Council of States presented a postulate that instructed the Federal Council to prepare a report on the proposed regulation, including its possible advantages, disadvantages, and effects. The report was also requested to present a comparative legal analysis of the possible implementation variants and to determine if there is a need for action in Swiss Stock Corporation Law. (cf. in detail link postulate). In response to the postulate, the Federal Council published its report on February 15, 2023, recommending against the introduction of loyalty shares (link media release and documents). The Federal Council based its opinion

	on the reports of two experts, whom it commissioned to prepare a legal clarification and a regulatory impact assessment to fulfill the postulate. The experts concluded that the introduction of loyalty shares is not recommended, or not without reservation. During one of the expert clarifications, SwissHoldings was asked about the possible introduction of loyalty shares and responded that there is hardly any need for it on the part of companies, and therefore no action is necessary. In light of this, we support the Federal Council's position to maintain the status quo and refrain from introducing the possibility to create loyalty shares.

Regulation of Beneficial Owners of Legal Entities

Current Status & Outlook	In the future, as has been the case in the past, regulatory efforts related to 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)" are likely to emerge in the field of company law. Switzerland regulates this area through its national laws to comply with these recommendations, and adjusts its legislation accordingly if the international entities mentioned significantly revise their recommendations. SwissHoldings is primarily concerned with ensuring that Switzerland is not blacklisted by these entities for not adequately implementing their recommendations. Additionally, unnecessary limitations on the freedom of action and bureaucracy for 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 requires the Federal Council to submit a status report by the end of 2021 on the implementation of Bill 18.082, which is focused on implementing the recommendations of the "Global Forum on transparency and exchange of information for tax purposes." If necessary, the Federal Council must provide proposals for amendments. The Federal Council has now published the status report on December 3, 2021 (link status report). The report notes that international developments at the FATF, EU, and OECD levels indicate a trend towards further tightening of corporate transparency obligations. In light of this, Switzerland will analyze its national legislative bases and their effectiveness to implement appropriate options in line with the objective of 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 the introduction of a central register or an alternative mechanism for beneficial owners, as well as possible tightening of bearer shares. The revision of Recommendation 24 at the international level has been ongoing for some time. The FATF officially adopted the revised Recommendation on March 4, 2022 and held two public consultations on it in the summer and winter of 2021, in each of which SwissHoldings participated (for our position, see detailed link Opinion). It also updated its guidance in March 2023, which is intended to help countries implement the revised Recommendation 24 (link Guidance). The update was preceded by many months of intensive consultations with the private sector and external stakeholders, in which SwissHoldings was always involved. - Following the adoption of Recommendation 24 at the international level, work is now underway at the national level to implement the

	recommendations. In the fall of 2022, the Federal Council instructed the Federal Department of Finance (FDF), in collaboration with the Federal Department of Justice and Police (FDJP), to draft a bill by the end of June 2023 to facilitate the identification of beneficial owners of legal entities (link media release). The bill will introduce a central register for the identification of beneficial owners and impose new obligations for risk-based updates on information regarding effective beneficial owners. The register will be accessible to relevant authorities, but not to the public. According to the media release, the objective is to achieve the most efficient and effective solution possible. SwissHoldings is involved in the legislative process from an early stage to achieve the most efficient and administratively simple implementation possible, particularly for listed companies.

Financial Market Infrastructure Act - Recognition of Foreign Trading Venues for Trading in Equity Securities of Companies Domiciled in Switzerland

Current Status & Outlook	On November 30, 2018, the Federal Council took action under Article 184 of the Federal Constitution to issue a safeguard measure to protect the Swiss stock exchange infrastructure. This was in response to the European Commission's failure to extend stock exchange equivalence for Switzerland, as required by EU law. The safeguard measure ensures that EU securities firms can continue to trade Swiss equities on Swiss trading venues, even without EU stock exchange equivalence. To prevent the protective measure from expiring without a replacement, the Federal Council submitted the transfer of the protective measure to the Financial Market Infrastructure Act (FMIA) to parliament for approval in the summer of 2022. SwissHoldings previously participated in the consultation (link Opinion) and essentially stated: - Welcome extension for the exchange protection measure and transfer to ordinary law: SwissHoldings welcomed the extension of the exchange protection measure and its transfer to ordinary law. While SwissHoldings preferred Plan A, stock exchange equivalence, and believed that Switzerland should 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: As a tried and tested instrument and in order to maintain the 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. In the summer of 2022, the Federal Council then adopted the dispatch on the

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	transfer of the measure to protect the Swiss stock exchange infrastructure into the Financial Infrastructure Act (FinfraG) (link media release and documents). The bill then went to parliament. After the Council of States had already unanimously approved the transfer of the exchange protection measure to ordinary law in the winter session 2022, the National Council now also unanimously followed this decision in the spring session 2023. In the final votes, the bill was also unanimously approved by both Councils. In accordance with the above, SwissHoldings welcomes this decision.

Revision of the Financial Market Infrastructure Act

Current Status & Outlook	The Financial Market Infrastructure Act FinfraG regulates the licensing and obligations of financial infrastructures. In addition to the conduct obligations of financial market participants in securities and derivatives trading. Even before it came into effect in January 2016, the Federal Council announced that the Federal Department of Finance (FDF) was to subject the FinfraG to a general review and draw up a report. Based on this report, the Federal Council instructed the FDF at the end of September 2022 to prepare a consultation draft on the revision of the FMIA by mid-2024 (link media release and documents). In its report, the FDF concludes that the FinfraG has largely proven its worth since it was ushered into effect. However, transparency and legal certainty are to be further strengthened in certain regulatory areas. Furthermore, the Federal Council has decided to implement the reporting obligation of small non-financial counterparties regarding derivatives transactions as of the 1st of January 2028. SwissHoldings positions itself as follows: The proposed adjustments to derivatives regulation are fundamentally an improvement and therefore are to be welcomed. However, we clearly reject the idea that ad hoc notifications of shareholdings should be transferred from self-regulation to state regulation under the supervision of FINMA. Self-regulation has proven its worth, it should not be abandoned without good cause and should instead be retained as a locational advantage. With this in mind, SwissHoldings is involved in the legislative process at an early stage and will advocate for the interests of its members.

Future Proxy Advisor Regulation Legislative Proposal

Current Status & Outlook	In the course of the deliberations on the revision of the Stock Corporation Act (and also already in the course of the revision of the SIX Directive on Information Relating to Corporate Governance), parliamentarians repeatedly discussed a provision that wanted to regulate proxy advisors. The regulation under discussion wanted to regulate proxy advisors via transparency obligations for issuers. SwissHoldings opposed the regulation under discussion at that time because it would have meant that one wanted to regulate (definitely existing problems in connection with proxy advisors) via a selective regulation "on the hump of the 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 following 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 with proxy advisors at listed stock corporations. In doing so, it takes into account international developments." It contains no reference, or at least no explicit reference, to regulating via duties of issuers. We welcome this missing reference. The corresponding revision of the law is likely to come soon. SwissHoldings is monitoring the international developments and will closely accompany the revision work in Switzerland.

Civil Procedure Law

Revision of the Code of Civil Procedure (Bill 20.026): Professional Secrecy Protection for In-house Counsel

Current Status & Outlook	In 2018, a consultation was carried out on the amendment of the Code of Civil Procedure. The consultation focused on implementing the parliamentary initiative Markwalder (16.409) for a right to refuse to testify and disclose for employees regarding in-house legal services and proposals for the introduction of instruments for collective legal protection. SwissHoldings participated in the consultation process and spoke in favor of professional secrecy protection for in-house counsel and against the proposed instruments for collective legal protection in the bill (link consultation response). Subsequently, the Federal Council adopted a dispatch containing the protection of professional secrecy for in-house counsel (Bill 20.026) and, in parallel, another dispatch dealing with the instruments of collective legal protection. Reference is made here to Bill 20.026, which contains the professional secrecy protection for in-house counsel. For the separate bill on collective legal protection, please refer to the comments below in the business section. The bill containing professional secrecy protection for in-house counsel has been debated by the two chambers of parliament and a provision on professional secrecy protection for in-house counsel has been adopted. Initially, the Council of States intended to narrow down the Federal Council's convincing version of professional secrecy protection for in-house counsel to a significant extent and introduce a problematic requirement of reciprocity. However, the National Council subsequently reworded the provision more broadly and eliminated the problematic requirement of reciprocity. Ultimately, both councils adopted a provision that does not contain the problematic requirement of reciprocity. SwissHoldings welcomes the decision to introduce a provision on the protection of professional secrecy for in-house counsel in civil procedure law as a crucial step in the right direction. Swiss law grants lawyers and their assistants protection of secrecy for profession-specific activities in civil proceedings. It is evident that this protection should also extend to in-house lawyers with a license to practice law and their subordinates if they perform

	the same activities. The lack of secrecy protection makes Swiss companies vulnerable to international attack, particularly in proceedings in the United States. In so-called discovery proceedings, Swiss companies can be compelled to disclose the correspondence of their in-house lawyers or corporate attorneys employed in Switzerland. Meanwhile, the correspondence of American companies is protected. Finally, it should also be noted that many other countries provide professional secrecy protection for in-house counsel. Therefore, it was time for parliament to take this crucial step in the right direction towards professional secrecy protection for in-house counsel.

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Tax Department

OECD/G20 Project on Taxation of the Digitalized Economy

Current Status	The project for taxing the digitalized economy is based on two pillars, intended to improve the acceptance of international corporate taxation. Pillar 1 provides for the largest international corporations, numbering around 100, to pay a higher proportion of their profits in the countries where they sell their products. The focus is on digital corporations, such as Google, Facebook, and Apple, some of which pay hardly any tax on profits in their home countries. However, a large number of traditional industrial companies are also affected, as they already pay high taxes in their home countries, with corporate tax rates of 25 to 30 percent. Project Pillar 2, the OECD minimum tax, requires large companies (with a minimum of EUR 750 million in sales) to pay at least 15 percent tax on their profits in all their countries of operation, using country-by-country blending. The determination of profits is not based on the strongly diverging tax regulations of individual countries, but on international accounting standards (e.g., IFRS, US GAAP, etc.), as the differences in the determination of profits are much smaller in these due to the so-called "true and fair view principle." Additionally, the new international set of rules (called GloBE rules) provides for various corrections, such as for investments or deferred taxes. If a state does not implement the new minimum taxation rules, the state of the parent company or subsidiaries, as the case may be, may tax the difference between the effective tax rate and the minimum tax rate reported by the company for a particular state. The work on the project to tax the digitized economy is being carried out by the OECD Secretariat on behalf of the G7 and G20, with administrative representatives of the involved countries involved in the development of the new rules. The new tax rules will be formally adopted by the "OECD/G20 Inclusive Framework on BEPS" (IF), comprising around 140 countries. On October 7-8, 2021, 136 of 140 IF countries adopted a statement with policy parameters on the two pillars (IF Statement). These were officially endorsed by the G20 Finance Ministers on October 14, 2021. We have also 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 GloBE Model Rules was published (Link Commentary GloBE Rules). There are still a large number of open application questions and detailed technical specifications that are to be issued by the so-called Implementation Framework as part of the Administrative Guidance. A first part of these guidelines were published in December 2022 and February 2023 (link Administrative Guidance). Of particular importance were the requirements for the transitional safe harbors, which should somewhat reduce the enormous administrative burden on the companies concerned in the initial years (2024 - 2026). However, many important specifications are still outstanding and are not expected to be complete until late 2023. Both the tax administrations of numerous countries and the many affected companies are eagerly awaiting

the issuance of all the promised documents.

In 2022 and early 2023, intensive work was also carried out on Pillar 1, and a public consultation was held on the implementation plans, which are not yet complete (Progress Report on Amount A). From the company's point of view, some of the plans appear to be difficult to implement, and a lot of work will still have to be done by the OECD so that a finished Pillar 1 implementation package can actually be presented to the countries at the end of May in the form of a multilateral convention for signing (from July 2023) and subsequent ratification. For Pillar 1 to be implemented globally at all, a critical mass of states must ratify the multilateral convention. The deciding factor will be whether the U.S. agrees to ratify the convention. Half of the companies affected by Pillar 1 have their headquarters in the USA. Without US ratification, the planned redistribution from headquarters to market states cannot be implemented. Ratification requires a 2/3 majority in the US Senate. However, there is strong opposition from both Republicans and Democrats. Experts, therefore, believe that Pillar 1 will never find a political majority in the USA.

Minimum Tax Developments in the USA:

The project to tax the digitized economy was given a boost in 2020 by the Administration of U.S. President Biden, which was pushing ahead with U.S. reform in parallel. As part of this, the Biden Administration sought to increase corporate taxes in the U.S. and eliminate some business-friendly special rules (Build Back Better Act [BBB]) in order to finance improvements to the U.S. infrastructure and various new social projects. Since the Biden Administration supported the introduction of global tax reform, it was envisaged that the U.S. and its corporations would be granted special rules under Pillar 2. Thus, with GILTI, the U.S. was to be allowed to apply a deviating minimum tax calculation system with different rules (minimum tax rate, tax base, etc.), which, however, was still to be aligned with the OECD GloBE system in the course of the above-mentioned U.S. reform (so-called GILTI equivalence).

However, the plans of the Biden Administration were subsequently significantly modified by the US Congress. As a result, the rules adopted by the U.S. Congress as part of the Inflation Reduction Act provide 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 in 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 in the USA and the rest of the world, how a system of equal footing can be created for US companies and companies from other countries (so-called GILTI equivalence) currently appears unclear. The OECD has published rules as part of its recently published Administrative Guidance. It is currently unclear whether these will actually be accepted by the USA.

Minimum Tax Developments in the EU:

The project to tax the digitized economy faced political difficulties not only in the USA but also in the EU until late fall 2022. For instance, as of the beginning of December, Hungary opposed the ratification of the EU directive on minimum taxation that required approval from all EU member states. However, the EU Commission succeeded in partially resolving differences of opinion with Hungary as part of an overall solution to various proposals.

Thereafter, the directive on minimum taxation could be unanimously adopted by written procedure on December 15, 2022 (link media release). Thus, the 27 EU member states committed themselves to implementing the OECD minimum taxation at the beginning of 2024. This example will likely be followed by many other industrialized countries (e.g., UK, Canada, Japan, Korea) and other states. Despite the aforementioned problems in the USA, it should be assumed that the OECD minimum taxation will be implemented by the vast majority of important jurisdictions at the beginning of 2024.

Implementation in Switzerland:

On January 12, 2022, the Federal Council 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. To enable the implementation of the OECD minimum taxation (pillar 2) quickly in the interests of the treasury and companies, transitional provisions are to be enacted in the constitution. Based on these, the Federal Council will adopt a directly applicable transitional ordinance that will apply throughout Switzerland from January 1, 2024. The ordinance will be replaced later by a Federal law as part of the ordinary legislative procedure.

In June 2022, the Federal Council adopted the dispatch on the constitutional amendment to Parliament. In contrast to the consultation draft, the dispatch provided for 25 percent of the supplementary tax revenue to go to the Confederation. This was in line with a corresponding compromise decision by the Conference of Cantonal Finance Directors. The FTA estimated the amount of the supplementary taxes at between CHF 1 billion and CHF 2.5 billion, but it correctly pointed out on several occasions that the estimate was highly uncertain.

The provisional distribution of the supplementary taxes between the cantons and the Confederation provided for in the transitional provisions was mainly disputed in the Federal Councils. While the Council of States opted for a 75/25 percent distribution, the National Council initially decided on a 50/50 distribution. However, this was corrected during the differences revision, which also took place in the winter session. On December 6, 2022, a majority of the National Council also opted for the 75/25 distribution. The bill was then submitted to Swiss voters on June 18, 2023, after the final vote took place on December 16, 2022. How the cantons use any additional revenue from the supplementary tax will be determined at a later date, depending on the level of expected revenue and the cantonal targets. More clarity on the actual revenues will likely only be available in the course of 2025.
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 2022, the Federal Council presented the first draft ordinance, which is currently limited to two areas. 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. Additionally, the draft ordinance regulates the distribution of supplementary tax revenues between cantons according to the source. The tax revenues from the Swiss supplementary tax are to be allocated to the cantons whose companies or business units have paid the supplementary tax.

The Federal Council is expected to present the second partial draft of the ordinance in May 2023. Due to delays in the Implementation Framework, a

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	third partial draft may also be necessary. The second draft ordinance will contain important procedural provisions in particular. If the constitutional amendment is approved by Swiss voters on June 18, the final and complete Federal Council Ordinance should be issued towards the end of 2023 and enter into effect on January 1, 2024.
Outlook	With the endorsement of the IF Statement by a vast number of countries in October 2021 and the publication of the GloBE Model Rules, Commentary, and other implementation documents of the Implementation Framework expected in 2023, the OECD and G20 have accomplished the most significant milestones for the introduction of the global minimum tax starting from 2024. Despite some political obstacles, the failure of Pillar 2 can be almost ruled out. However, the opposite is true for Pillar 1. Although the technical work is progressing, and the multilateral convention could even be in place by May 2023, ratification by the USA appears to be virtually impossible. Without the USA's ratification, the convention cannot enter into effect. Assessment of the consequences for Switzerland and further action: Effects of Pillar 1: The requirements of the OECD digital taxation project are not in Switzerland's interest. For instance, Pillar 1 envisages shifting the taxation of profits from large, profitable groups to the sales states. Those group companies that generate particularly high residual profits are to surrender the earnings. Switzerland is a business location where Swiss and foreign companies carry out activities with particularly high added value and generate high residual profits. Consequently, Switzerland will have to surrender 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. Therefore, Switzerland will not be able to compensate for the aforementioned revenue shortfall with the new tax substrate that it receives as a market state. Overall, Switzerland would 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 Switzerland has to increase its profit taxes to 15% due to the minimum tax, and other countries also succeed in reaching the OECD minimum tax rate of 15% with OECD-compliant tax measures (e.g., patent box), Switzerland will lose the critical location advantage of taxes. If other countries also have lower wages and other costs than Switzerland and grant non-fiscal incentives, Switzerland will have a much harder time competing internationally as a business location in the future. Particularly lucrative and value-added activities (research, management, and other so-called principal functions) are at risk. These activities are particularly profitable not only for corporate profit taxes but also for personal income taxes (taxation of employees) and social security revenues (AHV, etc.). Nevertheless, it is imperative that Switzerland adopts the requirements of the OECD digital taxation project and implements the minimum taxation at the beginning of 2024. If Switzerland were to refuse to implement the minimum taxation, it would do more harm than good to the Swiss economy and the Swiss Treasury. The additional tax substrate from the minimum taxation would simply flow abroad instead of into Switzerland, and Swiss companies would be exposed to 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, it risks having to record 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. 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. Therefore, the cantons should also be in the lead regarding the minimum tax. The head office canton should play an important role. It should have a certain lead function. The necessary cooperation between cantons in the GloBE assessment must be ensured by an intercantonal body. The Federal Government and cantons have already taken action in this regard. The Minimum Tax Working Group has begun its work under the umbrella of the Swiss Tax Conference. The Federal and cantonal working group will play a crucial role in ensuring uniform and accurate assessment throughout Switzerland. Companies concerned appreciate the fact that the working group is already active and dealing with specific technical issues. Many implementation issues will arise for the companies and authorities in the coming months until the end of 2024. If the authorities were to deal with technical questions from affected companies only in mid-2026, there would be an acute risk of numerous implementation errors. Close cooperation between the accounting specialists of the administration and those of the companies is also crucial. Especially in the first years of the introduction of the OECD minimum taxation, clear answers to numerous technical questions are likely to be lacking from the OECD experts. A close exchange between the administration and the business community should help significantly reduce legal uncertainty. SwissHoldings firmly believes that a 75/25 distribution will result in the highest additional revenues for the Confederation and the NFA-beneficiary cantons. If a higher federal share of the supplementary taxes were decided, the motivation of economically successful cantons to attract the best taxpayers would be reduced. The cantons would have to consider or be forced to increase their profit tax rates to retain the necessary 15% minimum tax themselves. This would be worthwhile for the cantons, insofar as they would have sufficient resources to survive in the new competition between locations. However, this would mean that there would be no more Swiss supplementary taxes, and the Federal Government would come away empty-handed. At the same time, such tax increases would hit a large number of companies that are not even within the scope of the OECD minimum taxation or would not have to pay any supplementary tax due to the different tax base. Even if the cantons decide not to adjust their taxes, the Federal Government risks losing revenue after only a few years due to the decreasing attractiveness of the location. With a 50/50 split, the Confederation would, therefore, risk a financially counterproductive situation. The same applies to the NFA beneficiary cantons. Financially, the Confederation is the biggest beneficiary of the cantons' efforts to attract the best taxpayers internationally, with particularly high employee salaries (income taxes). Of a profit tax franc that accrues in a tax-attractive canton, about 60 percent goes directly to the Federal Government. In 2/3 of the cantons, about half of the profit tax revenue goes directly to the Federal Government. Tax competition pays off: the Federal Government's profit tax revenues have increased by 550 percent since 1993 to more than CHF 12 billion. Attractive profit tax rates of the cantons are a particularly important reason for this.

	The OECD minimum taxation will lead to a paradigm shift in the location competition between countries for the most profitable corporate functions. The profit tax factor will lose importance and tax competition will decrease. Numerous cantons will thus partially or largely lose one of their most important locational advantages. In financial terms, the biggest losers - without countermeasures - are likely to be the cantons of Zug and Basel-Stadt. However, more rural cantons are also at risk, as the loss of taxes as a location factor is likely to be particularly drastic for these cantons. The Canton of Zurich is likely to become more attractive, thanks in particular to the Federally funded ETH. Immigration pressure to attractive urban centers such as Zurich or Lausanne is likely to increase without countermeasures by rural cantons. Therefore, the vast majority of cantons will have to rely on supplementary tax revenues to restore their attractiveness to their best taxpayers and employers elsewhere. If the cantons succeed in this, profit tax revenues will continue to bubble up in the future. Financially, the biggest beneficiary of successful cantons will continue to be the Federal Government. 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

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Department of Economics

Trade and Investment Policy

Bilateral Relations Switzerland / EU

Current Status	The European Union (EU) is Switzerland's most significant trading partner. Simultaneously, Switzerland is also one of the EU's largest export and import markets. Therefore, the relationship between Switzerland and the EU is crucial for the Swiss economy. Switzerland is pursuing a bilateral approach in this regard. Beginning with the free trade agreement signed in 1972, Switzerland has established a dense and ever-evolving network of agreements with the association of states. The Bilateral I and II agreements are particularly noteworthy as they grant the contracting parties non-discriminatory access to each other's markets and establish close cooperation in various areas between Switzerland and the EU. This bilateral approach has brought numerous advantages to Switzerland. However, the EU has linked the further development of the agreement network to a clarification of the institutional framework. Based on this demand, a draft agreement was drawn up between 2014 and 2018. At its meeting on May 26, 2021, the Federal Council decided not to sign the institutional framework agreement and to end negotiations with the EU. The body believes that various substantial differences could not be resolved. Nevertheless, the Federal Council would like to continue bilateral cooperation. End of March, the Federal Council discussed the next steps and gave the mandate to formulate key requirements for negotiating terms with the European Union (EU). At the same time, the common ground with the EU is to be further specified with a view to opening negotiations.
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 agreements.
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. SwissHoldings will continue to advocate for the important expansion of the Swiss network of free trade agreements.

Investment Controls

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

	investment. – The Federal Council presented a Regulatory Impact Assessment (RFA) on the preliminary draft as part of the consultation process. The RIA concludes that the cost-benefit ratio of such a new law is unfavorable: for this reason, the panel remains opposed to the introduction of an investment audit. It considers the existing legal framework to be sufficient. SwissHoldings supports this position. – However, the question of whether Switzerland should introduce an investment audit cannot be assessed in isolation from international developments. If OECD member states introduce restrictions on certain foreign investments across the board, then this must be taken into account when assessing the Swiss regulatory approach - not least to prevent a pull effect being triggered on the Swiss economy. – In this context, the present draft represents a compromise. In order to keep the legal risks for the economy as small as possible, such a state intervention mechanism should be examined in the context of a targeted, administratively lean and transparent design. It is also important that the regulation is compatible with Switzerland's existing obligations under International Law.
Outlook	The Federal Council is currently in the process of preparing a draft law for the introduction of investment controls and will submit this to parliamentary consultations in the current year. The law is not expected to enter into force 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.
Outlook	SwissHoldings will continue to closely follow the regulatory developments around the investment agreements and in this context will point out the great importance of ISA and international arbitration for Swiss companies and Switzerland as a business location.

SwissHoldings

Corporate Social Responsibility

Corporate Responsibility Initiative

Current Status	The popular initiative was rejected at the ballot box on November 29, 2020, paving the way for the indirect counter-proposal's entry into effect. The Federal Council presented the ordinance on the indirect counter-proposal on December 3, 2021, which imposed new obligations based on EU regulations and, in some cases, went beyond them. The law took effect on January 1, 2022, meaning that Swiss companies would have to report in accordance with the new rules for the first time for the 2023 financial year. On November 23, 2022, at its meeting, the Federal Council adopted the executive order on climate reporting ("TCFD") for large Swiss companies and brought it into effect on January 1, 2024. For further information and the preprint of the ordinance, please visit https://www.admin.ch/gov/de/start/dokumentation/medienmitteilungen.msg-id-91859.html The Federal Council also evaluated the need for Switzerland to adapt to the dynamic developments in EU law regarding sustainable corporate governance. The body decided to prepare a consultation draft by July 2024 at the latest to examine the applicability of the new EU rules for ESG reporting. However, in the area of due diligence, it is still intended to wait. SwissHoldings welcomed this decision, as the contours of the EU's new regulation to monitor risks in value chains are just beginning to emerge. (see also media release SwissHoldings: Federal Council rightly adheres to an internationally coordinated approach in the area of corporate responsibility - SwissHoldings). In addition, the Legal Commission of both Councils is currently dealing with the parliamentary initiative (Pa.Iv) Gredig (21.427) - "Combating forced labor by expanding the scope of the counterproposal UVI." The aim of the parliamentary initiative is to extend the scope of the counterproposal to include the prohibition of forced labor in the special due diligence obligations and transparency on conflict minerals and child labor (Art. 964j et seq. CO). The focus here is on the core conventions ratified by Switzerland of the International Labor Organization No. 29 on forced or compulsory labor and No. 105 on the abolition of forced labor, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines.
Outlook	The new obligations associated with the implementation of the counterproposal are challenging, especially in the area of child labor. The association will support the implementation work for the member companies as far as possible and offer a platform for the exchange of expertise.

Developments EU level

Current Status	The European Commission is presently considering potential regulations in the area of Sustainable Corporate Governance and related Due Diligence. In the first half of 2022, it published a proposal for a directive on Corporate Sustainability Due Diligence. The specific objective is to define corporate interests under European law, taking into account sustainability criteria. Additionally, the initiative focuses on the implementation of corporate due diligence obligations in global supply chains. The proposal must still go through the legislative process. Currently, the EU Council has adopted its negotiating position on December 1st: Council adopts position on due diligence rules for large companies - Consilium (europa.eu). Nonetheless, the details of this regulation are only beginning to emerge. If approved, the directive must be transposed into national law by the Member States. There is typically some flexibility in the implementation of directives. According to the assessment of the Swiss Mission to the European Union, the earliest date for adoption is Summer 2023, but it may also take longer.
Outlook	SwissHoldings member companies are likely to be directly affected by this new EU regulation in the area of Sustainable Corporate Governance, The regulation provides for a third country regime - through which Swiss companies operating in the EU are directly covered by EU regulations above a certain size.

Collective Legal Protection

Current Status	On December 10, 2021, the Federal Council presented the class action bill and passed it for the attention of Parliament. The bill provides for the expansion of the existing class action, the creation of a new class action for the assertion of compensation claims, and the possibility of settlements declared binding by the courts. The business community is critical of these plans, which the Federal Council 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. At this meeting in June, the RK-N decided not to act on class actions. It was not possible at the present time to decide on the development of instruments of so-called "collective redress." Essential questions had not yet been clarified. The FDJP was subsequently requested by the Commission to draw up a more comprehensive legal comparison of 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 of the cost consequences of the discussed regulation for the affected Swiss companies was commissioned from the Department of Justice ("Regulatory Impact Assessment"). In view of these extensive clarifications, further deliberations on the bill are expected to resume in the second quarter of 2023 at the earliest.
Outlook	SwissHoldings supports this decision. From the association's point of view, the business is not ready for political consultation.

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Accounting and Reporting

IFRS Standard Setting

Current Status	The focus of the work was to support and comment on the IASB's consultation on "IAS 12 Income Taxes," in which the Board proposed amendments to IAS 12 Income Taxes. The aim is to provide temporary relief in accounting for deferred taxes arising from the forthcoming implementation of the second pillar model rules published by the Organization for Economic Cooperation and Development (OECD). The IASB is responding to stakeholder concerns about the potential impact of these rules on the accounting for income taxes in financial statements (the SwissHoldings comment letter can be found at the following link: SwissHoldings comment letter on ED International Tax Reform-Pillar Two Model Rules).
Outlook	SwissHoldings will continue to actively follow the work of the IFRS Foundation in both areas (financial reporting and sustainability reporting) and participate in relevant consultations.

Sustainable Finance Switzerland Strategy

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

	the production and consumption of goods and services. SwissHoldings will therefore closely follow the planned work of the Federal Government in coordination with the other industry associations.

Sustainable Finance & ESG Reporting at EU Level

Current Status	At the EU level, the topic of sustainability is central to public discussion. The European Commission has become actively involved in this discussion through various initiatives. In 2020, the EU adopted the Action Plan for Financing Sustainable Growth, which forms the basis for several legislative initiatives. Among these initiatives is the Taxonomy Regulation, which is particularly relevant for preparers. With the introduction of the Taxonomy, companies will be required to classify all their business activities in a classification scheme to determine the "green character" of their economic activity. Companies will also need to disclose separately the share of sales, the share of investments ("CapEx"), and the share of operating expenses ("OpEx"). Additionally, all these activities must be evaluated in relation to minimum social criteria. The action plan also includes a proposal for a Corporate Sustainability Reporting Directive (CSRD) to replace the existing Non financial Reporting Directive (NFRD). The directive was adopted at the EU level on November 10. The core element of the CSRD is that reporting will no longer be based on an internationally accepted standard such as GRI, but on a new European standard to be developed. Other significant changes include a substantial expansion of the required report content (such as forward-looking elements and information on intangible assets) and the principle that all information must be made available via a digital reporting structure. SH member companies are likely to be directly affected by both of these regulatory measures due to their close economic ties with EU member states.
Outlook	SwissHoldings views the current initiatives for greater standardization in the area of sustainable finance and ESG reporting as fundamentally positive. A more uniform framework for mapping a company's sustainability performance helps create clarity and trust between investors and preparers. However, the association emphasizes that sustainability data must always be placed in a comprehensible context with business strategy and financial reporting in the future. The criteria of relevance, feasibility, and cost/benefit ratio should always apply to transparency requirements. While the EU's ambitious plans offer opportunities for sustainability-oriented investors and companies, they also harbor the risk of disproportionate market intervention. The newly envisaged transparency and disclosure requirements for companies in the area of ESG are high and threaten to overwhelm many market players. SwissHoldings is monitoring ongoing developments and continues to support the business, particularly within the framework of the working group of umbrella organizations at the European level.

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Capital Markets

Exchange Equivalence - Extension of the Exchange 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, specifically if they admit certain shares of Swiss companies to trading or enable trading in such shares (see also link). At its 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. In the spring session of 2023, the Swiss Parliament finally adopted the transfer of the exchange protection measure into ordinary law.
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. From the association's point of view, the SNB's current orientation has proven its worth. The organization is critical of a "politicization" or further earmarking of the SNB's profits.