










Project Utah

Milestone report - UPDATED

Brussels, June 16, 2017

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Project context

Project scope

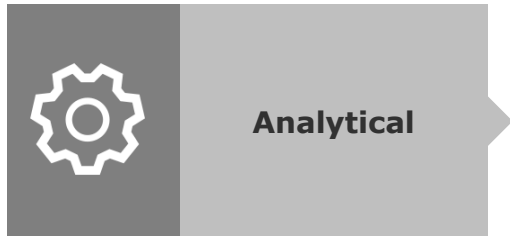
Key objective of this engagement was to understand the operational and financial consequences of relocating the FIDIC Secretariat, assess how do Amsterdam and Berlin compare to Geneva and how should the transition and relocation be realised



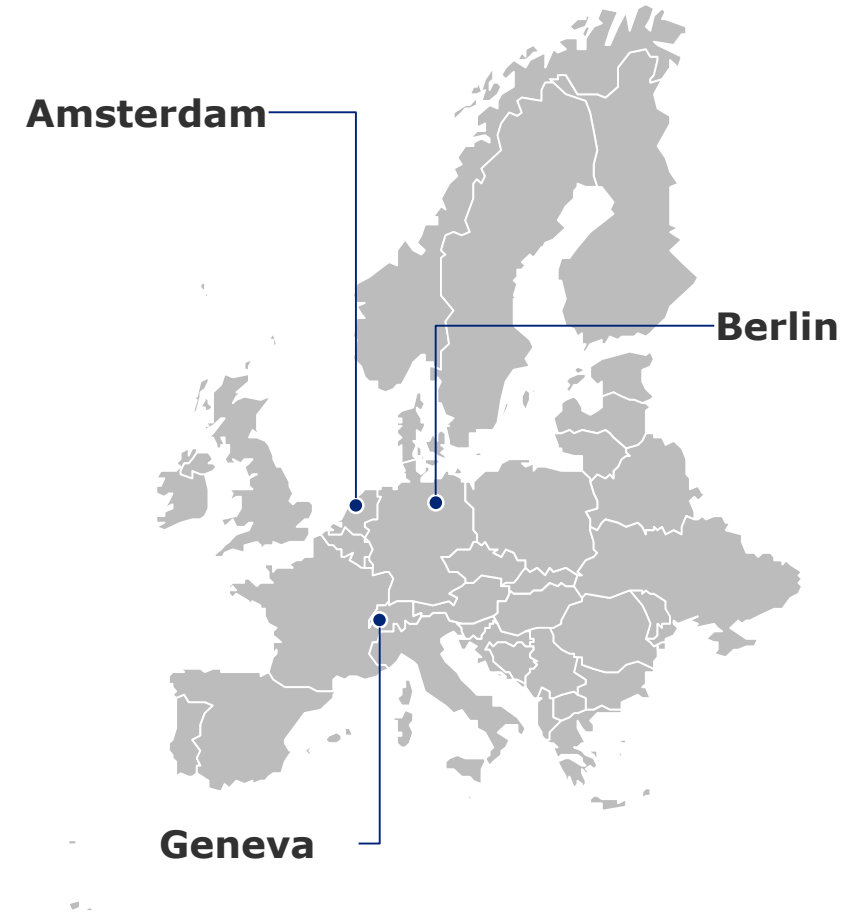
- Base-case scenario: new, less expensive location in Geneva (move out of existing offices at WTC)
- Relocation scenarios*:
 - Amsterdam
 - Berlin



- Staffing pyramid of 10 FTE was considered for the base and relocation scenarios, with an assumption that the remuneration of the Managing Director would remain unchanged.



- The three scenarios (locations) have been assessed on a number of critical location selection criteria as identified by FIDIC's project team (Mr. Alain Bentejac, Ms. Aisha Nadar, Mr. Enrico Vink) and following the Deloitte's site selection methodology.



* Identified through FIDIC's internal pre-study.

Project methodology

The analysis draws upon a multitude of sources

1. Prior engagements and desktop research

- We drew upon our vast experience in site-selection assignments as well as internally developed databases and reliable external data sources (both open source and available to Deloitte on subscription).

2. Brief field investigation

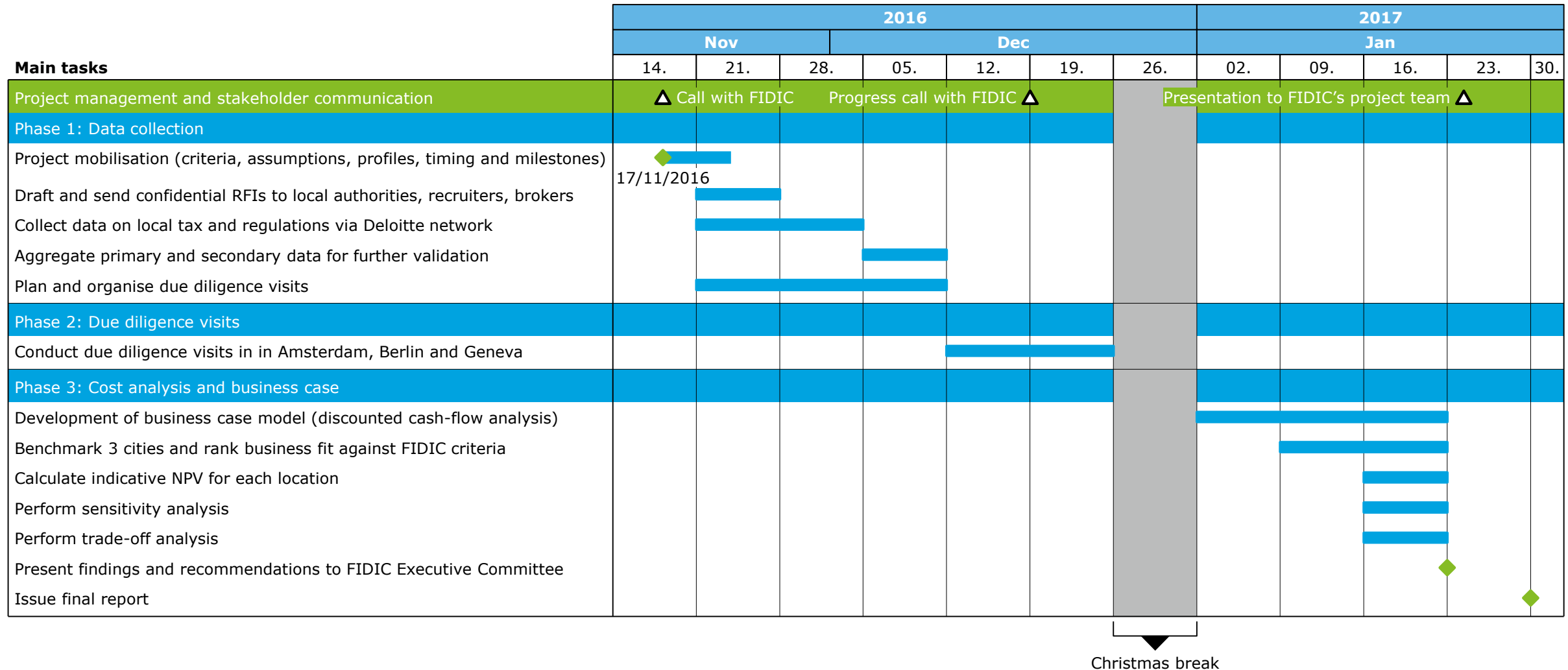
- We performed brief due diligence in each of the locations to validate the availability of suitable real estate, operating environment for non-profit organizations like FIDIC, recruitability of talent (for detailed agenda of the visits – see Appendix).
- We have met and/or interviewed the representatives of local Member Associations (MA) in Germany, the Netherlands and Switzerland and well as the Managing Director of the FIDIC's Secretariat – Mr. Enrico Vink.

3. Deloitte's local tax experts

- On tax-related matters we consulted our local experts in each of the locations, who provided their input on feasibility of establishing FIDIC's Secretariat either in Amsterdam or Berlin, as well as potential tax implications in case of exit from Switzerland.










Project timeline and milestones

Location assessment was completed in February 2017 with an additional tax opinion provided in June 2017



Methodology

The assessment was based on input from the FIDIC project team on criteria and project requirements

Dimension	Location selection criteria (used for business fit assessment)	Weight*	Dimension	Project requirements (used for business fit and cost calculations)
	Political and macro-economic environment No critical criteria selected	0%		Human resources The staffing pyramid as outlined in FIDIC's Master Plan have been used for the study (see p.25 for details).
	Human resources <ul style="list-style-type: none"> • Availability of suitable functional skills • Ease of obtaining working permits for non-resident (non-EU) staff 	10%		Total payroll costs include: <ul style="list-style-type: none"> • Gross annual salary • Mandatory employer contributions
	Infrastructure and accessibility <ul style="list-style-type: none"> • International airway accessibility • Short-term availability of suitable office facilities 	22%		Facility and utilities Indicative real estate costs <ul style="list-style-type: none"> • Average office rent costs in the city • Rental charges
	Operating environment <ul style="list-style-type: none"> • Ease of business permitting (registration) for non-profit organization • Simple and flexible hiring and firing regulations • Proximity ("connection") to national MA 	30%		Exchange rate An exchange rate was applied to all local currencies and was based on the conversion rate from November 8 th 2016. Deloitte's analysis did not take into account possible exchange rate fluctuations in the future.
	Location attractiveness <ul style="list-style-type: none"> • Quality of life • Global image (neutrality, vibrancy, internationalism) 	25%		
	Taxation and incentives <ul style="list-style-type: none"> • Taxation of non-profit organizations • Government support - tax and other incentives 	13%		

*Note: See Appendix for details on individual weights as provided by the FIDIC's project team.

Executive summary

Key conclusions (1/2)

Amsterdam, Berlin and Geneva are viable options to host FIDIC's Secretariat from qualitative perspective but Berlin is the most cost-attractive solution

- All locations selected by FIDIC during the pre-study for detailed evaluation – Amsterdam, Berlin and Geneva – score well on qualitative aspects and could potentially host the Secretariat.
- Amsterdam's key asset is one of Europe's largest airports, well-connected to business districts by public transportation, and its multicultural environment. However, the international non-profit cluster is concentrated in The Hague and the local Member Association (MA) may not be able to provide sufficient support during the transition.
- Berlin, one of Europe's start-up hubs, attracts young international talent. The public sector is well developed and could provide sufficient talent supply for FIDIC. The German Member Association would be willing to assist during the transition phase, including subleasing available office space on a temporary basis (at market rates).
- Geneva remains a hub for international non-profit and non-governmental organizations, however the Swiss global image of neutrality has suffered in the wake of FIFA corruption scandal as evidenced by the slip in Corruption Perception Index ranking (Transparency International). Relocation of assets outside of Switzerland may entail a financial penalty (estimated at CHF 400,000 in the worst-case scenario), however an advance ruling from the local tax authorities can be sought on this matter and the amount reportedly could be reduced through negotiations.
- On the cost side, Geneva emerges as the most expensive location with total annual operating cost (payroll and real estate) higher by CHF 700,000-800,000 compared to Amsterdam and Berlin respectively.
- Financial modeling with key underlying income and cost assumptions as validated by FIDIC's project team reveals that despite one-off relocation costs during the transition year, both Amsterdam and Berlin would generate positive net present value for the 2017-2021 period, with the latter being the most attractive scenario.
- If the decision to relocate the Secretariat is approved by the Executive Committee, it should be feasible to complete the transition within a period of one calendar year with minimal disruption to the FIDIC's activities. Potential risks like loss of knowledge, staff resignation and subscription loss can be properly managed. Due to potential support during the transition period from the local MA in Germany, this process can be better managed in Berlin.

Key conclusions (2/2)

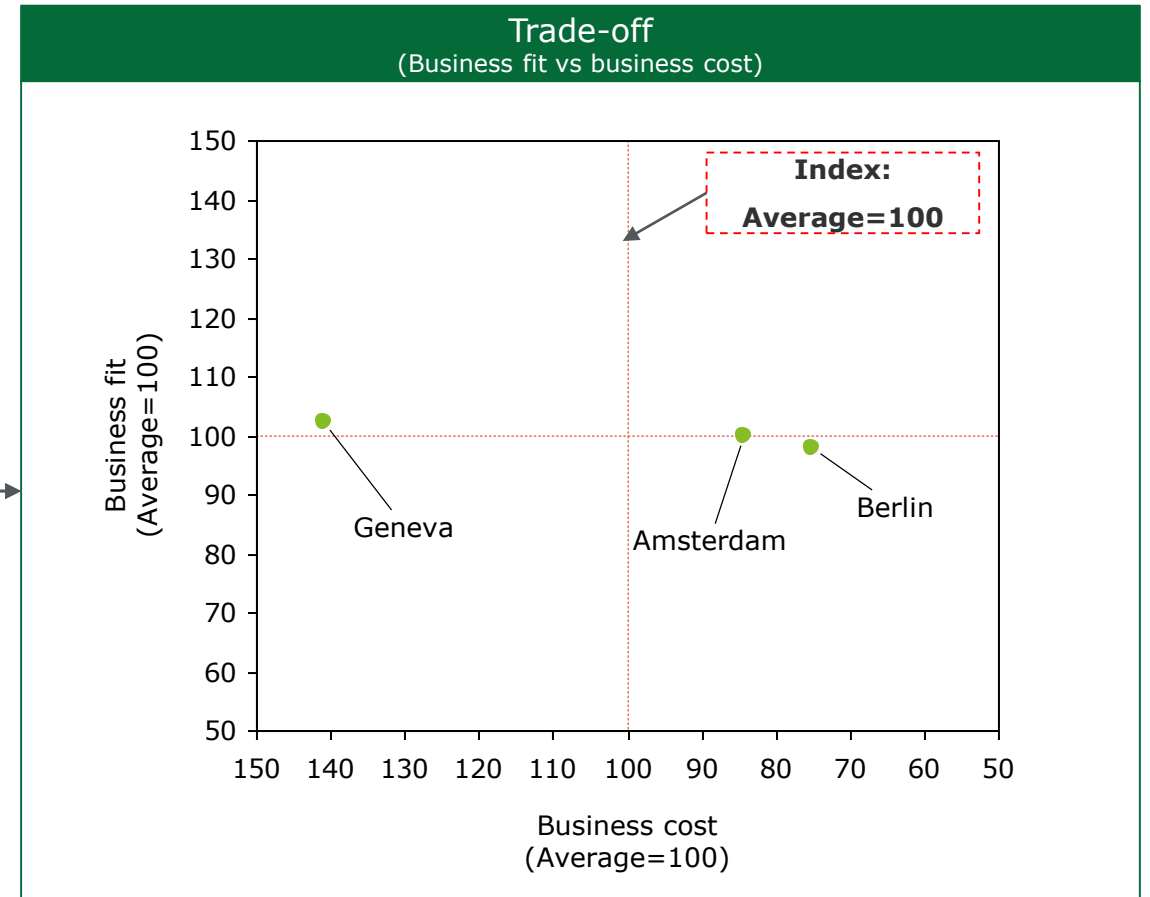
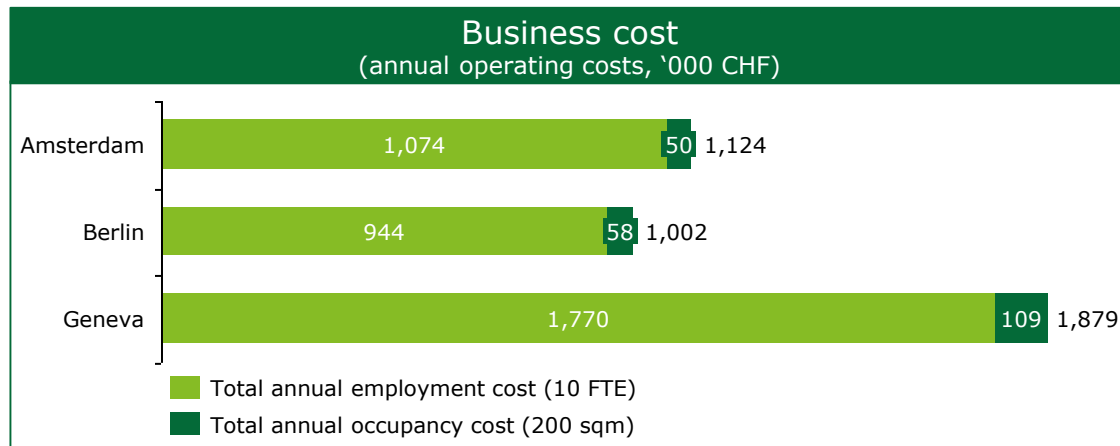
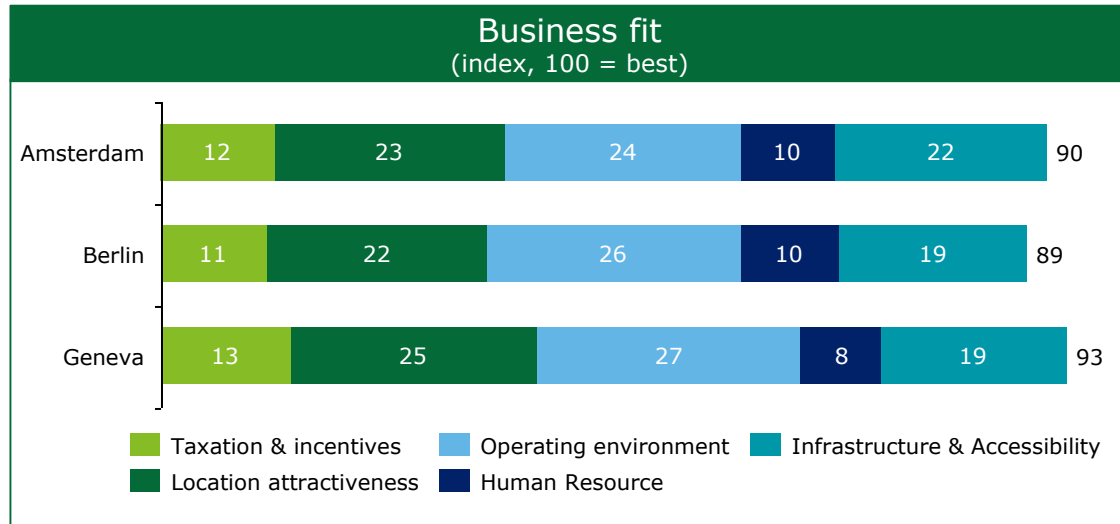
After the additional analysis from legal and taxation standpoints, no major obstacles to relocation were discovered. Berlin remains the more attractive option due to ease

- During FIDIC Executive Committee meeting in February held in Washington it was decided to prioritise Berlin as the preferred option for relocation, subject to an additional legal study.
- The study was performed by Eversheds Sutherland and aimed at verifying that the envisaged legal structure was feasible.
- In order to finalize its decision, FIDIC then asked Deloitte to clarify a number of additional tax-related questions. Please refer to pages 35-52 for the respective input of the German and Dutch Deloitte tax experts.
- The two taxation systems were found to largely be similar, with no major obstacles to the intended operating model: to retain a legal seat in Switzerland and set up a company either in Germany or the Netherlands, which will provide services to FIDIC on a cost plus basis.
- However, in case all core activities are transferred to the Netherlands, with little substance remaining in Switzerland (as envisaged), a remuneration on cost plus basis may not suffice. It is recommended to further investigate what an arms length remuneration (i.e. the expected taxable result of the Dutch BV) should be in this respect.
- From the Swiss corporate tax and transfer perspective, an assumption is that, in principle, the choice of the location – either in Germany or the Netherlands should not make any difference. Nevertheless, as the two tax treaties between Switzerland and respectively the Netherlands or Germany differ on several points, we cannot exclude that the international tax regime, notably with regards to withholding taxes, could be different. This would require a dedicated research in order to provide a definite answer.

Trade-off analysis

Geneva is the most expensive location option among the three scenarios under consideration

NB: The analysis does not take into consideration organisational internal and external market changes since February 2017



Notes:

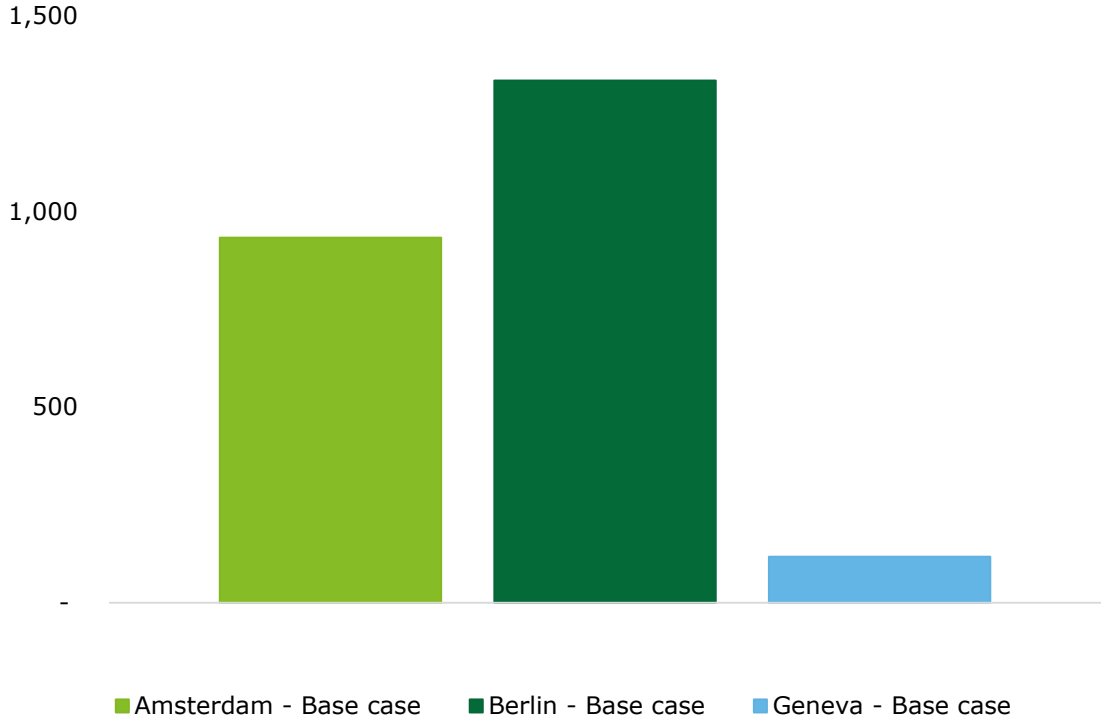
- X-axis (inverted): Business cost index shows the total annual operating cost (employment and real estate cost).
- Y-axis: Business fit index shows the relative extent to which each of the locations rank versus FIDIC's location selection criteria.

Cash flow summary

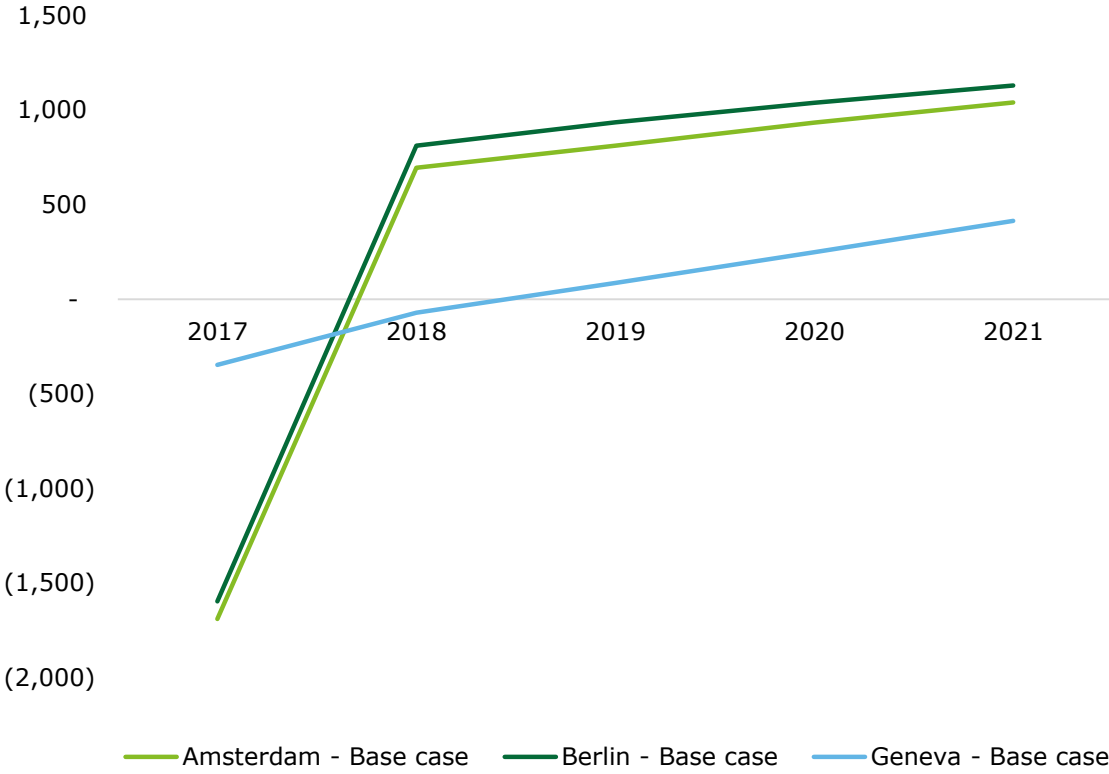
The Berlin scenario emerges as the most attractive from the standpoint of investment attractiveness. Additional tax input did not reveal any substantial expected impact on the financial model.

NB: The analysis does not take into consideration organisational internal and external market changes since February 2017

NPV 2017-2021, '000 CHF



Cash flow summary, '000 CHF



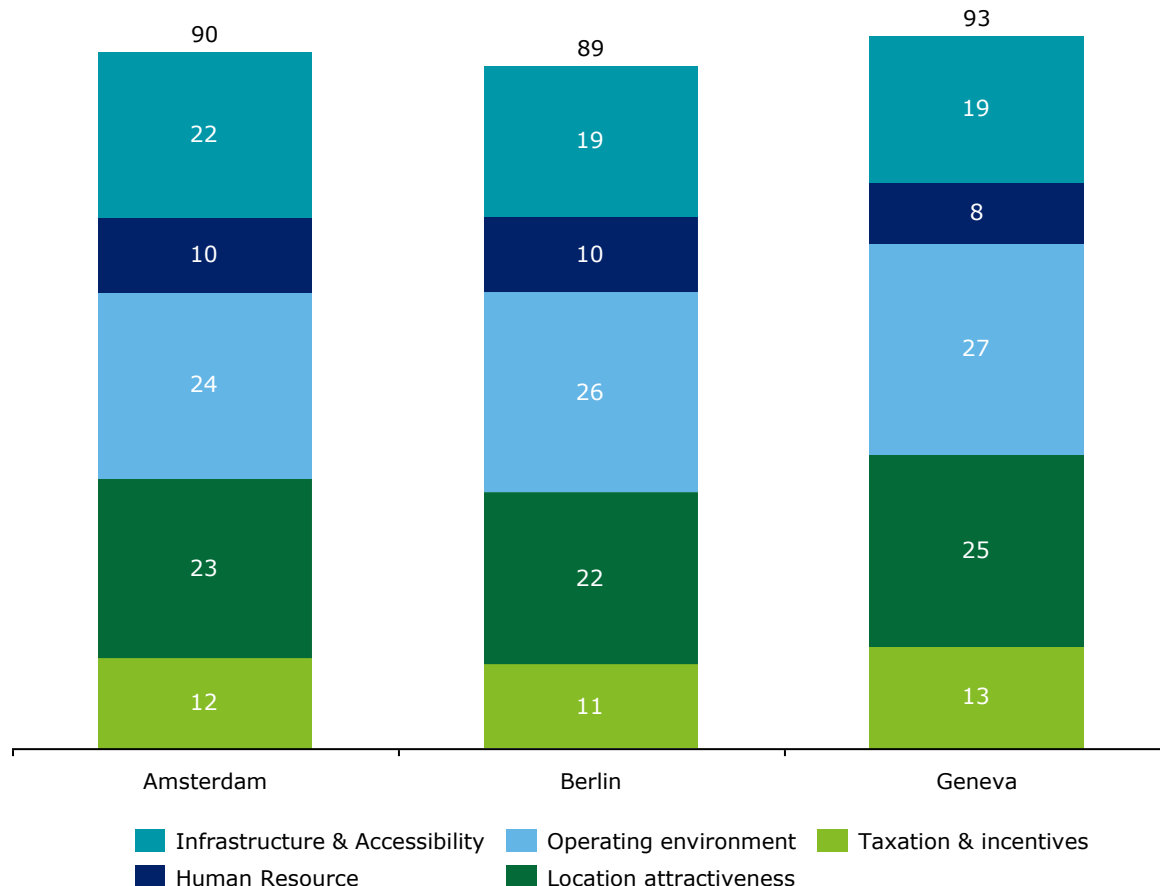
Note: The details on financial analysis and modeling assumptions were outlined in a separately submitted deliverable.

Detailed business fit findings

Business fit

None of the locations holds a major qualitative competitive advantage. Therefore business cost can become the crucial decision-making criterion

Business fit



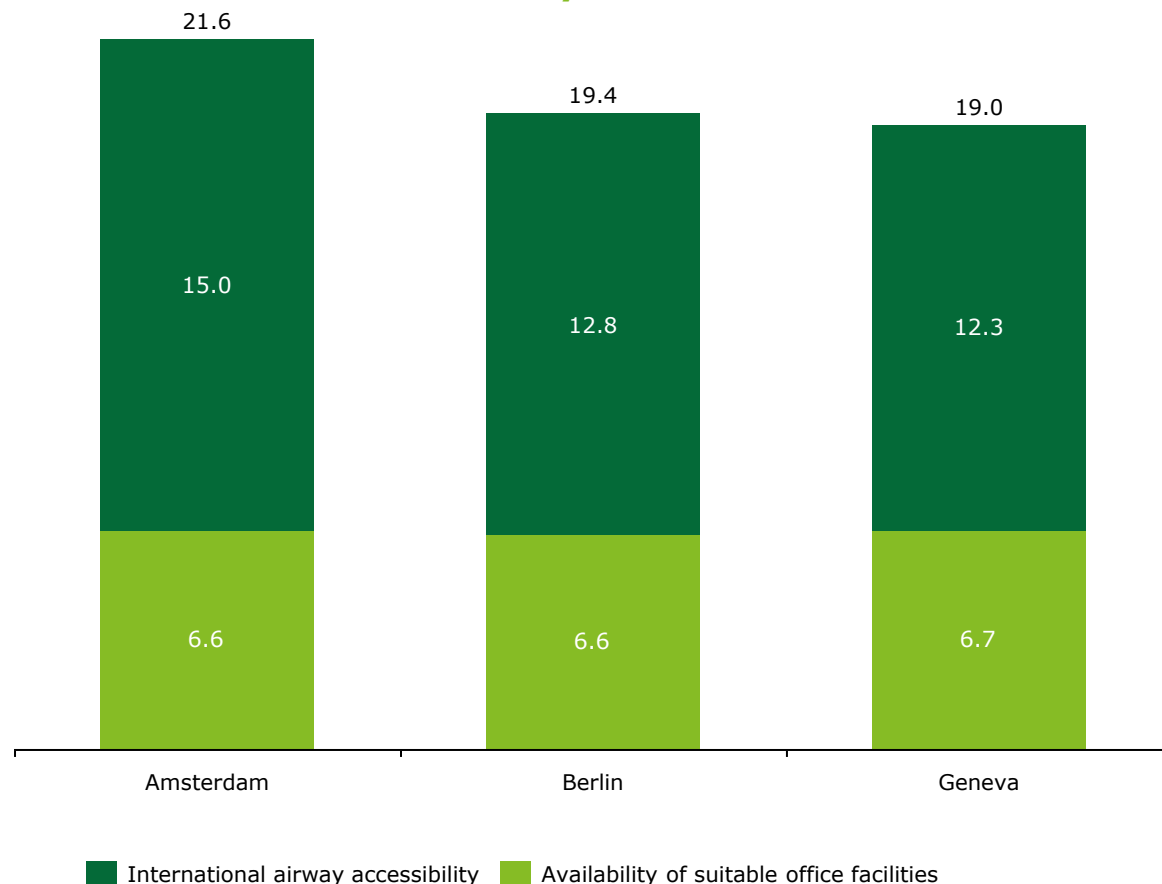
Commentary

- All of the locations selected by FIDIC during the internal pre-study are suitable to host the Secretariat from the business fit (qualitative) perspective.
- Geneva scores marginally higher due to a more favourable fiscal regime and high quality of life, as documented in various international rankings. No additional administrative burden is foreseen in case of relocation to a new office within the city.
- Favourable labour legislation also puts Geneva ahead of Amsterdam and Berlin, however given that the scale of FIDIC's operations in terms of headcount is small and the required skills are not unique (management, marketing) – it should not constitute a major material benefit.
- Amsterdam ranks second with the key advantage being presence of a major international hub – Schiphol airport – and lower effective corporate income tax (20% in the Netherlands vs. 30% in Germany).
- Although Berlin comes last in the qualitative ranking it holds a major advantage over Amsterdam, namely stronger support of the local Member Association, which could facilitate the Secretariat's relocation during the transition period.

Infrastructure and accessibility

Amsterdam offers the best airway accessibility, however the new Berlin airport and the expanded Geneva airport will improve these cities' location-offering in the future. Finding suitable real estate in either location would not constitute a major obstacle to relocation

Infrastructure and accessibility



Commentary

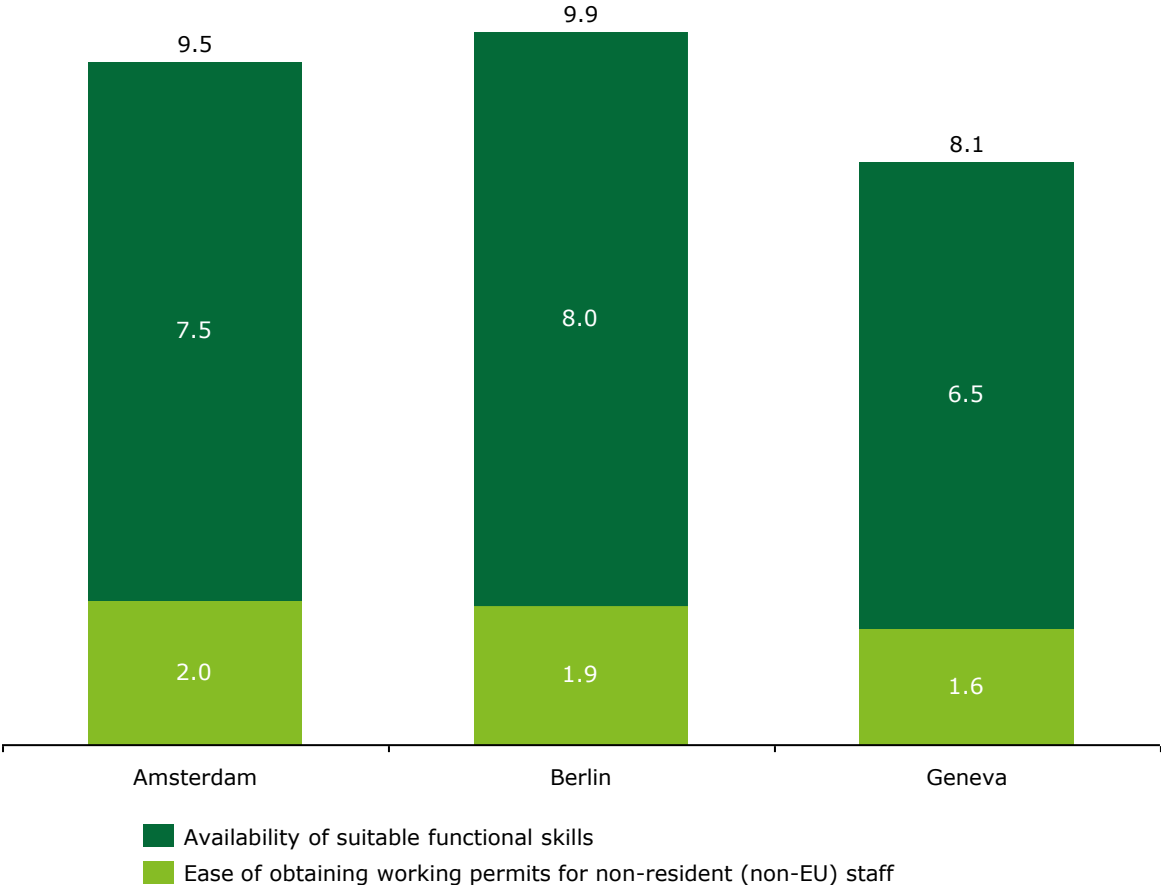
- Amsterdam's Schiphol is the fourth largest airport in Europe in terms of passenger traffic, offering excellent connectivity around the globe and is well-connected to nearby business parks by public transport. Office space is available at the airport premises but is in high demand (vacancy rate – 3%) and the rents are among the highest in Amsterdam. Amsterdam Sloterdijk is a developing office neighbourhood with high vacancy rates (18%) and affordable rents. Amsterdam South (Zuidas) and South-East (Arena) are the two main business districts, dominated by banking, legal and consulting firms – finding a suitable and affordable property for FIDIC can be challenging.
- Both Tegel and Schönefeld airports are congested and are poorly equipped. The new Brandenburg airport has suffered another setback and is now expected to become operational in 2018 only, becoming the 3rd largest airport in Germany.
- Finding a suitable, small and of a good standing, office in Berlin can be challenging as average vacancy rates are only at 5%. However, a lot of developments are in the pipeline and including at the new airport.
- Geneva's airport is undergoing an upgrade (East Wing), which is expected to improve currently limited long-haul connectivity by mid-2020. Prohibitive pricing on some routes may add to an additional cost pressure on the Secretariat's activity.
- The real estate market in Geneva is tenant-favourable with sufficient availability of office space and possibility to negotiate a rent-free period or landlord's contribution on office improvements.

Note: for more details on real estate availability across locations and associated costs see p.26.

Human resources

Given the modest expected headcount of FIDIC’s Secretariat (7-15 FTEs), no major difficulties are expected in sourcing the required talent in Amsterdam or Berlin

Human resources



Commentary

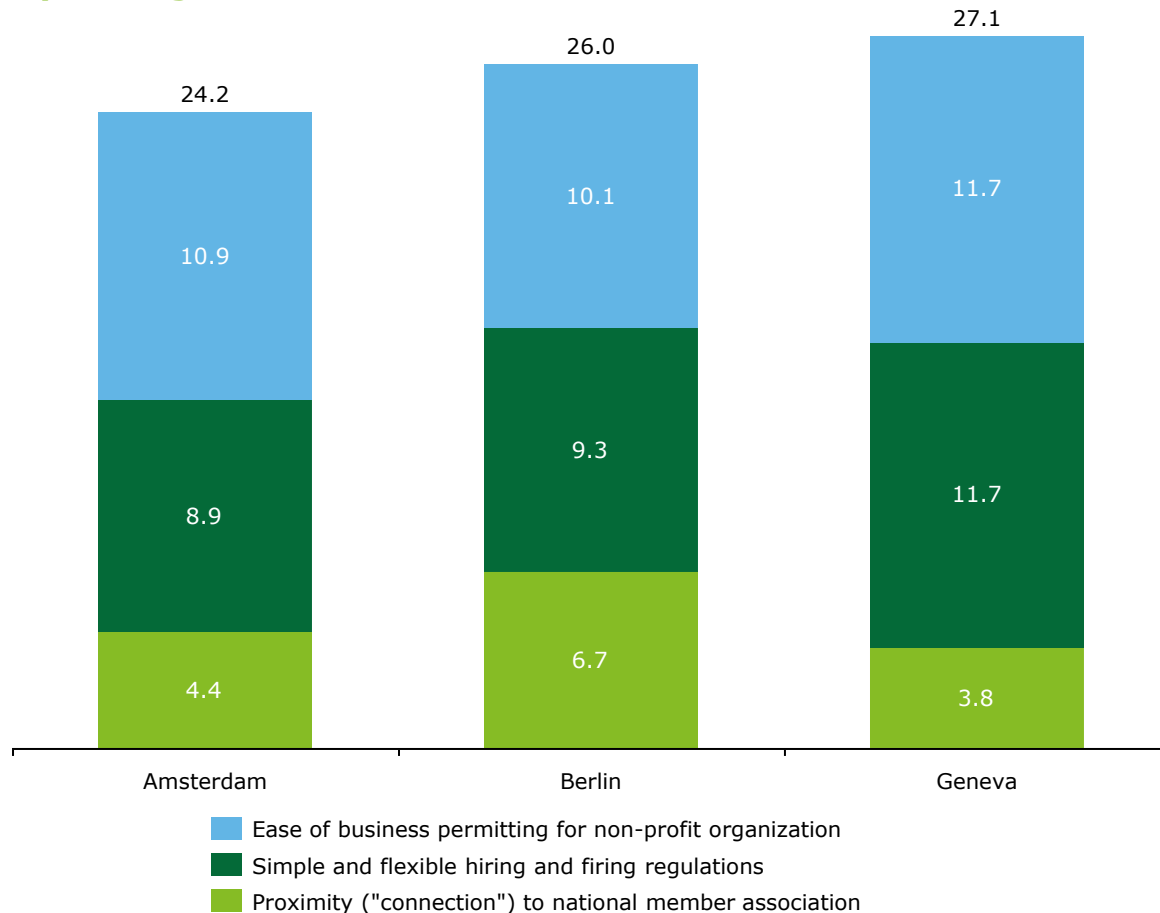
- Due to the sheer size of the labour market, Berlin ranks marginally higher than Amsterdam or Geneva on human resources dimension.
- With a population of nearly 6 million people in the wider metropolitan area, of which over 600,000 are foreigners from 190 countries, Berlin is the second most populous city in the EU after London. The Services (including non-governmental, NGO, and non-profit, NPO, organizations) and construction sectors are the two key economic pillars in the city.
- Amsterdam has a strong finance and trading sectors that attract both young and experienced talent. International NPOs are clustered in The Hague.
- Geneva has a smaller pool of junior talent, however nearly 50,000 experienced NGO/NPO professionals.
- An additional source of talent in Geneva are the accompanying partners of people employed by international organisations. They could potentially be hired below market rates and/or on a part-time basis to support FIDIC. However the feasibility of such an approach has not been validated within the scope of this project.
- Immigration laws are more restrictive in Switzerland, however it can be expected that an international organization like FIDIC will be able to obtain the necessary administrative assistance and hire (if needed) foreign nationals without major difficulties in either location.

Note: for key underlying demographic and employment data see Appendix.

Operating environment

Potential synergies and support from the German Member Association (VBI) make Berlin a more favourable destination for FIDIC's relocation; flexibility of the Swiss labour legislation is an argument in favour of the Geneva scenario

Operating environment



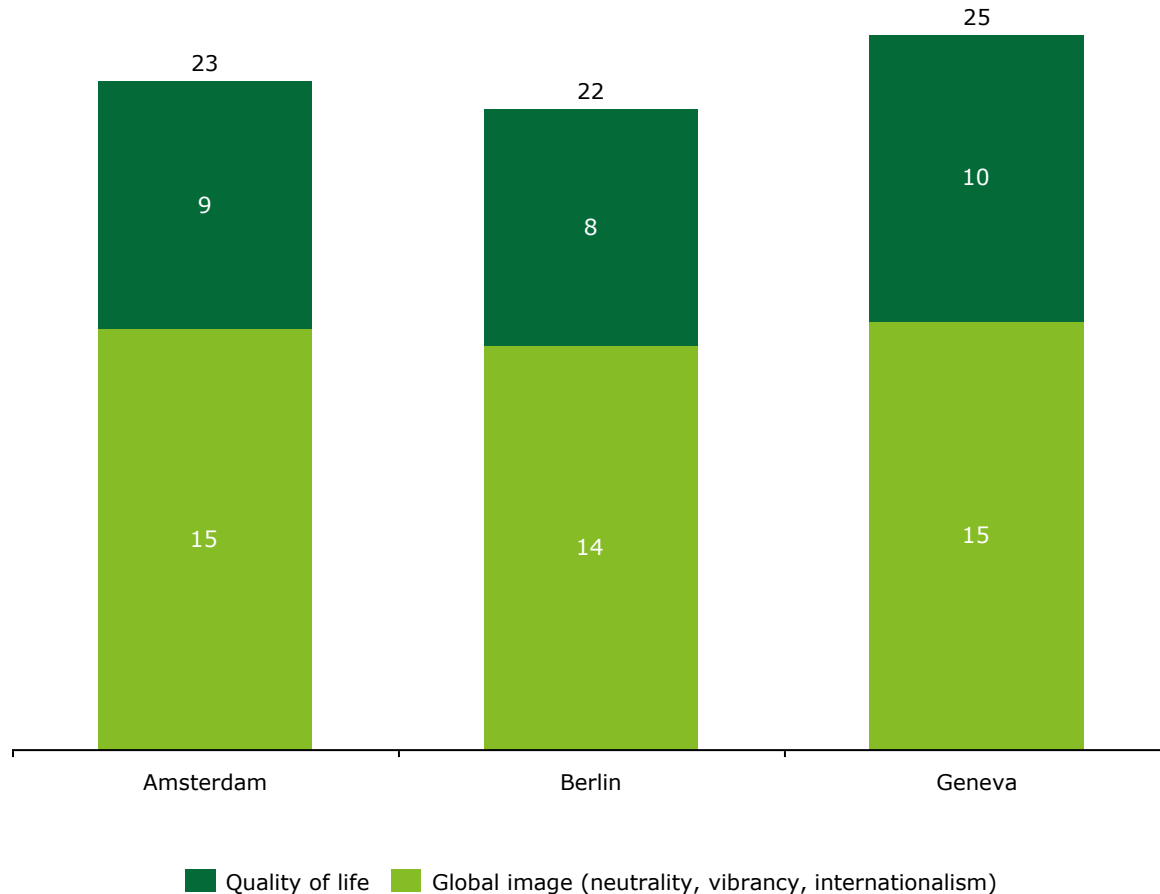
Commentary

- The procedures, time-frame and associated administrative fees for establishing an NPO in Amsterdam or Berlin are similar and do not provide sufficient ground for selecting either location. An association can be established via a notarial deed within several weeks at a cost of EUR 3,000-5,000. Geneva scores the highest as no additional costs/administrative burden is foreseen in case of relocation within the city.
- Switzerland has a very employer-friendly labour law making it easy to hire and dismiss personnel. Thus it scores highest on this criterion.
- After only a year in the capital, the Dutch Member Association (NLIngenieurs) is considering to return from Amsterdam to The Hague to better cooperate with the government and other professional associations. NLIngenieurs will mark its 100th anniversary in 2017. Most of the staff will be preparing the associated events leaving limited bandwidth to support FIDIC's relocation.
- The German Member Association (VBI) can sublet several fully furnished offices (at market rates) to host the Secretariat during the transition phase. Mr. Arno Metzler, VBI's Managing Director, has experience of overseeing the organization's relocation from Bonn to Berlin and could thus potentially aid in the process.
- FIDIC's annual conference will be held in 2018 in Berlin – local staff will be ideally positioned to organize the event. However, this coincidence may also be perceived negatively by the other MAs and labelled as "politically motivated".
- The Swiss Member Association (USIC), based in Bern, has little to no direct interaction with the Secretariat and in principle is neutral towards its physical location. It believes that the proximity to other international organizations (UN, WTO) should aid FIDIC in better serving the interests of its members. No evidence has been found as to how and if such a proximity benefits the Secretariat.

Location attractiveness

Geneva offers high quality of life, at significant cost; Amsterdam and Berlin are considered as more dynamic and modern destinations, while the cost of living is the lowest in Berlin

Location attractiveness



Commentary

- Switzerland consistently ranks among the best countries in the world in terms of quality of life, however the Netherlands and Germany are not far behind.
- Amsterdam is a prosperous, multi-cultural city (180 nationalities live in the metropolitan area), while Berlin’s vibrant start-up scene increasingly attracts young international talent.
- The Swiss image of neutrality has weakened in the recent years, most notably after the FIFA corruption scandal. The country has slipped to the 7th position in Transparency International’s Corruption Perception Index – behind the Netherlands in the 5th (Germany ranks 10th).

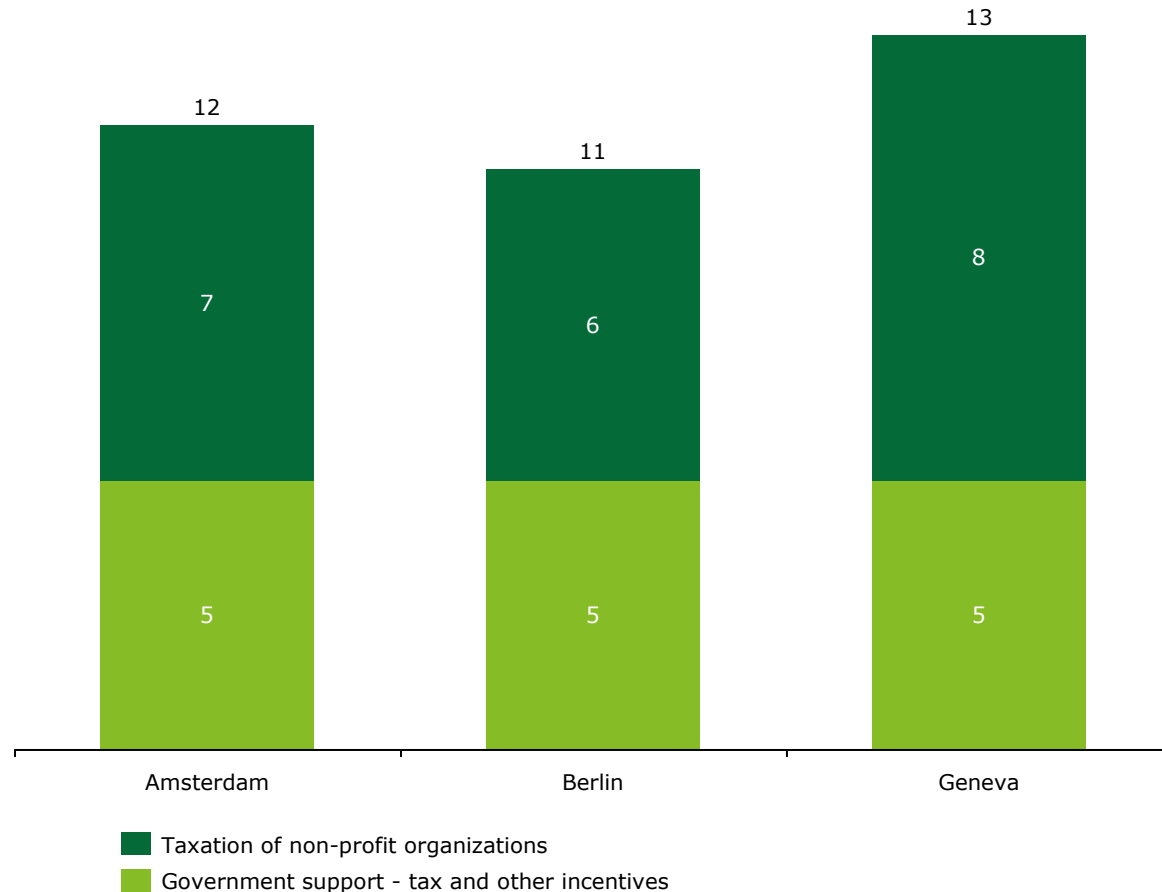
Global image indicators – city rankings based on a sample included in respective study	Amsterdam	Berlin	Geneva
Most Loved Countries in the World (measures international respect, trust, admiration and esteem from others) – the Reputation Institute	9	15	4
Prosperity Index (ranks countries on safety and security, social capital and natural environment) – Legatum	7	11	4
Quality of Life (ranks cities on quality of life) – Mercer	11	13	8
Life Satisfaction (measures well-being indicators by country) – OECD	11	12	4
Cities in Motion (ranks cities in terms of human capital, technology, international impact, etc.) – IESE	6	16	9
Cost of Living* (including rental accommodation costs) – Mercer	64	100	8

*Note: Cost of Living indicator was not included in the ranking of the locations.

Taxation and incentives

Amsterdam and Berlin offer comparable tax regimes with none providing any specific incentives for NPOs; in order to specify the consequences of the tax exit from Switzerland a dedicated request to the local tax authorities must be submitted and a ruling can reportedly be negotiated to minimize the cost of an exit

Taxation and incentives



Commentary

- None of the locations offer specific incentives to attract non-profit organizations. Both Amsterdam and Berlin are actively vying to lure financial institutions after the Brexit referendum, as well as technology and R&D related projects.
- Tax treatment of NPOs in Amsterdam and Berlin is similar (e.g. tax exemption on membership fees, possibility to establish a separate commercial entity under the arm of an NPO) – see details on next slides.
- Amsterdam scores higher due to the lower effective corporate income tax rate (CIT) on commercial activities and special treatment of expatriates' income provided certain conditions are met (see next page). However the exact tax burden (types of activities subject to CIT) can reportedly be negotiated with the local tax authorities on a case by case basis either in Amsterdam or Berlin.
- A potential move outside Switzerland may cause the following probable adverse tax consequences (as outlined by Deloitte's local tax experts upon anonymous enquiries at the federal and cantonal tax authorities):
 - Taxation of at least a portion of the hidden reserves at effective corporate income tax rate;
 - Taxation of the intangible assets (goodwill).
- Our recommendation is to request a tax ruling from Geneva Tax Administration in order to avoid any unexpected risks. This should cover the legal analysis of the consequence of such a transfer and the valuation of the assets to be transferred, including intangibles.

Taxation and incentives – Amsterdam

NB: Please refer to Eversheds Sutherland memo on detailed legal advice

Setting up an entity

- Not-for-profit and charitable activities are (in general) conducted through a foundation (“Stichting”) or an association (“Vereniging”), the latter being the advisable form of ownership for FIDIC.
- Both are legal entities that are flexible and relatively easy to establish through a notarial deed. The associated costs are insignificant (<EUR 5,000) and the administrative procedure is smooth.
- Key characteristics of the foundation is that it has no shareholders or members, its objectives are stated in the statutes and it is governed and represented by a board of directors.
- An association must have at least two members. It must focus on the interests of its members but can not be used to distribute results/profits amongst its members.

Taxation

- Foundations and associations that qualify as an 'institution for public benefit' (algemeen nut beogende instelling, ANBI) may apply for the so-called ANBI regime by submitting a formal application letter with the Dutch tax authorities.
- An ANBI may have no profit motive and is not allowed to 'hoard up' equity, which means that the equity of the ANBI should not excessively exceed the amount of equity reasonably necessary to ensure the continuation of its activities. Commercial activities may be allowed if these activities are subordinate and of an auxiliary nature, and provided also that the earnings from such commercial activities are fully used for public benefit purposes. ANBIs enjoy a favourable tax regime and in many cases can obtain a refund of foreign withholding taxes, however are (in principle) not exempt from the payment of CIT.
- However, in light of the FIDIC's activities, according to Deloitte tax professionals, it will be virtually impossible to obtain the ANBI regime. Furthermore, the it is of little benefit to the organization. For instance, the local Member Association – NL Ingenieurs, does not qualify as an ANBI.
- Shall an NPO be engaged in commercial activities it is common (and advisable) to set up a dedicated private company with limited liability (“Besloten Vennootschap” or “BV”). The association can be the shareholder of this BV.
- The Dutch CIT rate is 20% on taxable profits up to EUR 200,000, and 25% on taxable profits exceeding that amount. We expect that this corporate income tax bracket will be extended to EUR 250,000 (as from 2018-2019, EUR 300,000 as per 2020).
- An NPO can benefit from an exemption from CIT as long as its annual net result is below EUR 15,000 (or EUR 75,000 for the year under review and four previous years, not considering loss years, i.e. it is not possible to offset losses). Member fees are not subject to corporate taxation. We note that with respect to the net result on commercial activities (i.e. the publications and events), the association might be liable to Dutch CIT.
- It is common to discuss in advance (prior to registration) with the Dutch authorities the liability to Dutch CIT of the association and if so, which activities (and profits) are subject to Dutch CIT.
- There is a special tax regime for expatriates, called the 30% ruling, by which the allowance paid to cover the employee's extraterritorial costs is not taxed if it does not exceed 30% of the total remuneration. The fees for the children to attend an international school are also tax-free.

Taxation and incentives – Berlin

[NB: Please refer to Eversheds Sutherland memo on detailed legal advice](#)

Setting up an entity

- Common types of non-profit entities in Germany are:
 - Company (*gGmbH*)
 - Foundation (*Stiftung*) and
 - registered association (*eingetragener Verein*, "e.V.")
- An association (*Verein*) is a membership organization whose members have come together to permanently pursue a common purpose. Both public benefit and mutual benefit associations are permitted. For that reason, the designation "e.V." does not reflect the existence of a public benefit organization, nor does it reflect its tax status.
- Associations are formally established by a notary deed. The notary deed contains the articles of association. Non-economic associations (*nichtwirtschaftliche Vereine /Idealvereine*) must have a primary aim and activity other than conducting business.
- Non-economic associations receive legal personality upon registration at the local court (*Vereinsregister*). When such an association is registered, it assumes the designation "e.V." To register, an association must have at least seven members. Once registered, an association may have fewer than seven members, but not fewer than three.
- A German state (*Land*) may, in limited cases, also grant legal personality to a different type of association that primarily conducts business (*Wirtschaftlicher Verein*). No state has done so in recent years, however.

Taxation

- Public benefit organizations and professional associations may enjoy special tax benefits if they meet the requirements of the tax law. The purpose of the latter is the promotion of the specific profession, the overall industrial sector or trade line, not only of the members' interests.
- A tax-exempt organization must not distribute its assets to its members, directors or other non-beneficiaries without adequate compensation. In case of liquidation, the organization's remaining assets must be granted to another tax-exempt organization. The rule does not prohibit administration expenses as long as they are reasonable. No person may benefit from expenditures that are not related to the purpose of the entity or through inappropriately high allowances or payments.
- Regarding taxation on the income of tax-exempt organizations, the German income tax law differentiates four areas, taking into consideration the different sources of the funds:
 - Non-material ("idealistic") earnings: income in the form of membership fees or donations. This form of income is generally exempted from income tax. However, income tax is imposed on "hidden considerations," such as membership fees paid in consideration of services or goods received.
 - "Passive" earnings derived from asset management (i.e., investment): returns from investment in interest-yielding bonds, shares, real estate, etc. This form of income is also generally exempted from income tax.
 - Earnings derived from other economic activities unrelated to the purpose of the tax-exempt organization are subject to income tax. However, there is a tax-free allowance of EUR 35,000 per annum of the gross earnings. It follows that tax-exempt organizations in Germany are partially subject to income taxation, insofar as their income is generated from economic activities unrelated to the purpose of the organization.
- CIT rate is of 15%. Additionally, solidarity surcharge of 5.5% is also levied on corporate income tax. Municipal trade tax is imposed at rates between 14% and 17%, with rates determined by municipalities. Combined rate (i.e. corporate income tax, trade tax, solidarity surcharge) amounts to approximately 30%-33%.
- It is possible (and advisable) to set up a separate legal entity for the commercial activities of the non-profit organization (*GmbH*, limited liability company). The minimum share capital required to establish a *GmbH* is EUR 25,000, the time period required for the formation is 2-3 weeks, the estimated total costs for the formation are EUR 700 plus fees for legal counsel if a lawyer is employed to draw up the articles of association.
- No specific tax exemption exists for expatriates. The standard tax regime should therefore apply.

Taxation and incentives – Geneva

Migration of the association outside Switzerland

- In principle an association may transfer its head office from Switzerland to Germany or the Netherlands;
- It needs:
 - to register the decision to transfer;
 - to pay all creditors and have this fact certified by auditors;
 - to pay all taxes before the transfer would be mentioned at the trade register;
 - to make sure it is in line with the by-laws.

Transfer of assets outside Switzerland:

- In principle an association may transfer its assets and liabilities from Switzerland to Germany or the Netherlands if the operation is acceptable for the German and Dutch authorities;
- Conditions are similar to that for a migration:
 - to register the decision to transfer;
 - to pay all creditors and have this fact certified by auditors;
 - to pay all taxes before the transfer is finally registered;
 - to make sure it is in line with the by-laws.
- This procedure concerns only the Swiss legal aspects and shall be confirmed under the German/Dutch law.

Taxation

Federal, Cantonal and Communal Income Tax

- FIDIC is taxed at Federal, Cantonal and Communal level on income deriving from its commercial activity.
- The subscription of the members are excluded from the taxable income, (art. 66 al. 1 LIFD and art. 18 al. 1 LIPM).

The tax rates are the following:

- Federal: 4.25% of the net income, (art. 71 al.1 LIDF);
- Cantonal and Communal: from 11.62% to 23.24% of the taxable income (the highest rate 23.24% is reached as from CHF 400'000) (art. 25 LIPM, art. 4 let. a Lbu, art. 293 let. b LCP and art. 12 RDLCP).
- The statutory tax rate of FIDIC in Switzerland is from 15.87% to 27.49% (on profit after tax);
- The effective tax rate of FIDIC in Switzerland is from 13.35% to 19.93% (on profit before tax).

Cantonal and Communal Capital Tax

- FIDIC is subject to yearly capital tax at the Cantonal and Communal level at a rate from 0.166% to 0.941% of the net wealth (the highest rate 0.941% is reached as from CHF 2'000'000), (art. 36 LIPM, art. 4 let. b Lbu, art. 293 let. b LCP and art. 12 RDLCP).

Taxation and incentives – Geneva

Income tax	Goodwill	Withholding tax	VAT
<ul style="list-style-type: none"> The Swiss law assimilates an association to a corporate entity, (art. 49 al. 1 let. b LIFD). Migration of corporate entity outside Switzerland is assimilated to a liquidation for Swiss tax purpose and leads to an immediate taxation of the hidden reserves (art. 58 al. 1 let. c LIFD). The migration requires the following steps: Closing the financial statements as a year end, (art. 79 al. 3 LIFD); Any income that are not recorded in the P&L might be added to the taxable profit, (art. 58 al. 1 let. c LIFD, art 12 al. 1 let. j LIPM); The hidden reserves are added to the taxable profit and taxed (art. 80. 2 LIFD, art. 38 al. 2 LIPM). Based on information that we have in our possession, FIDIC could have potential hidden reserves on the following balance sheet items (not limitative): <ul style="list-style-type: none"> Provisions for bad debts; Financial assets; Goodwill. 	<ul style="list-style-type: none"> In case of migration, the practice of the Swiss Tax Administration is to take into consideration the existence of a goodwill at the moment of the exit and to submit such goodwill to corporate income tax and withholding tax. The practice of the Swiss Tax Administration is to valorise the goodwill applying any relevant methods of evaluation which could be, for example DCF (discounted cash flow) or Practitioners' Method (a method taking into account a capitalized yield value and the equity). The goodwill is defined as an intangible asset representing the difference between the value of a business and the net value of its assets and liabilities. Economically, it is described as the customer base, good customer relations, good employee relations and any other assets not already recorded in the balance sheet. It seems not obvious that the concept of goodwill, having a commercial background, is replicable in the case of an association. For that reason we contacted, on an anonymous basis, the legal department of the Geneva Tax Administration (GTA) in order to confirm its practice in case of an exit of an association. <p>The GTA confirmed that:</p> <ul style="list-style-type: none"> It does not have enough experience of associations leaving Switzerland or transferring its assets and liabilities in order to be determined on a binding practice. Based on principle, Geneva Tax Administration confirmed that it can not be excluded that the association will be subject to income tax on its goodwill at the occasion of its departure; Symmetrically, it means that a transfer of assets and liabilities should be done at fair market value in order to comply to the OECD arm's length principle. 	<ul style="list-style-type: none"> Art. 4 al. 2 LIA, provides that the transfer of the head office of corporations is assimilated to a liquidation and such article does not mention association as subject to this principle. In application of such Article, the hidden reserve (including goodwill) is generally subject to the Swiss withholding tax. In case of a transfer of assets and liabilities, the transfer shall be done at fair market value otherwise, the difference between the fair market value and the price of transfer is subject to the Swiss withholding tax. As the Article 4 al. 2 LIA only mentions "companies" and not "corporate bodies", it seems that conversely, the transfer of the head office of an association from Switzerland to a foreign country should not be considered as a liquidation and then not subject to the Swiss withholding tax. Making a similar analysis as for the income tax, we contacted, on an anonymous basis, the Federal Tax Administration (FTA) in order to confirm its practice in case of an exit of an association. The FTA confirmed (orally and unofficially) that, in principle, associations are not subject to withholding tax at the moment of their exit of the Swiss territory or on the transfer of assets and liabilities to a foreign association. 	<p>The deregistration of the Swiss VAT requires :</p> <ul style="list-style-type: none"> To fill in an online form permitting to cancel the VAT registration and to receive the final VAT return; To fill in the final VAT return (the association will not be able to recover any input VAT); The association will receive a formal confirmation of the deregistration by a letter from the Federal Tax Administration; Transfer of assets out of Switzerland (including intangible assets as goodwill) should be subject to VAT but could in principle benefit of the exemption applicable to exportation (and/or exemption for services provided outside of Switzerland).

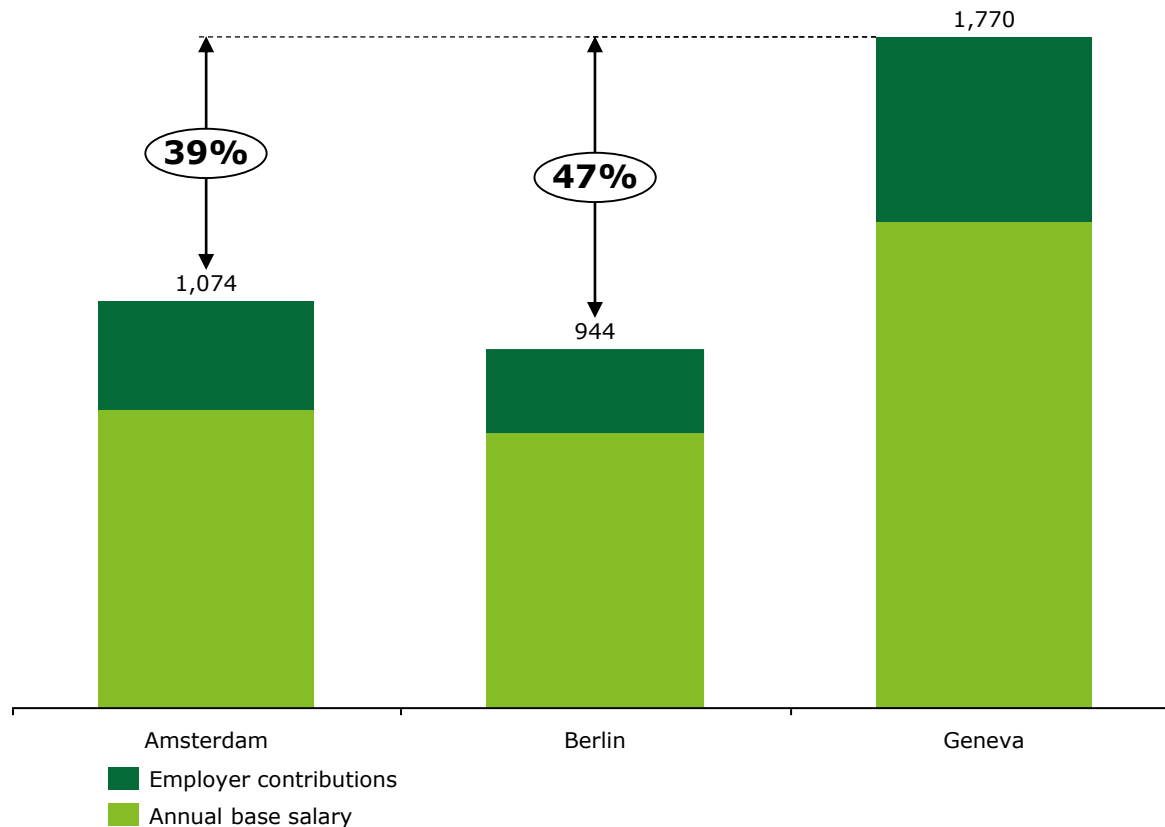
Financial analysis

[For details on financial analysis and modeling assumptions – refer to a separately submitted deliverable]

Human resources

Amsterdam and Berlin payroll costs would be approximately 40% and 50% below current Geneva levels, assuming all staff are employed on a full-time basis

Indicative total employment cost for 10 FTE, '000 CHF



Commentary

- Current salary levels at the FIDIC office in Geneva are reportedly higher when compared to average market rates (see the next page for the details). However, the provided salaries for benchmark profiles do not take into account seniority, experience level and multi-functionality of the current FIDIC staff.
- Locally interviewed parties did not envisage any difficulties in hiring 7-10 people in either location. For example, the German MA received several dozen applications when hiring an executive assistant. It also opts to hire staff on a temporary basis at first (via recruitment agencies), offering successful candidates a permanent contract after a trial period.
- Remuneration of the NPO executives attracted a public attention in Germany after a CEO was found to be using an expensive sports car ("Maserati-Harry" scandal). According to Deloitte's tax experts, an estimate of ~CHF 300,000 falls within a reasonable limit. For example, Transparency International's salary grid stipulates the higher salary bracket for its Managing Director at EUR 200,000 (base annual salary).

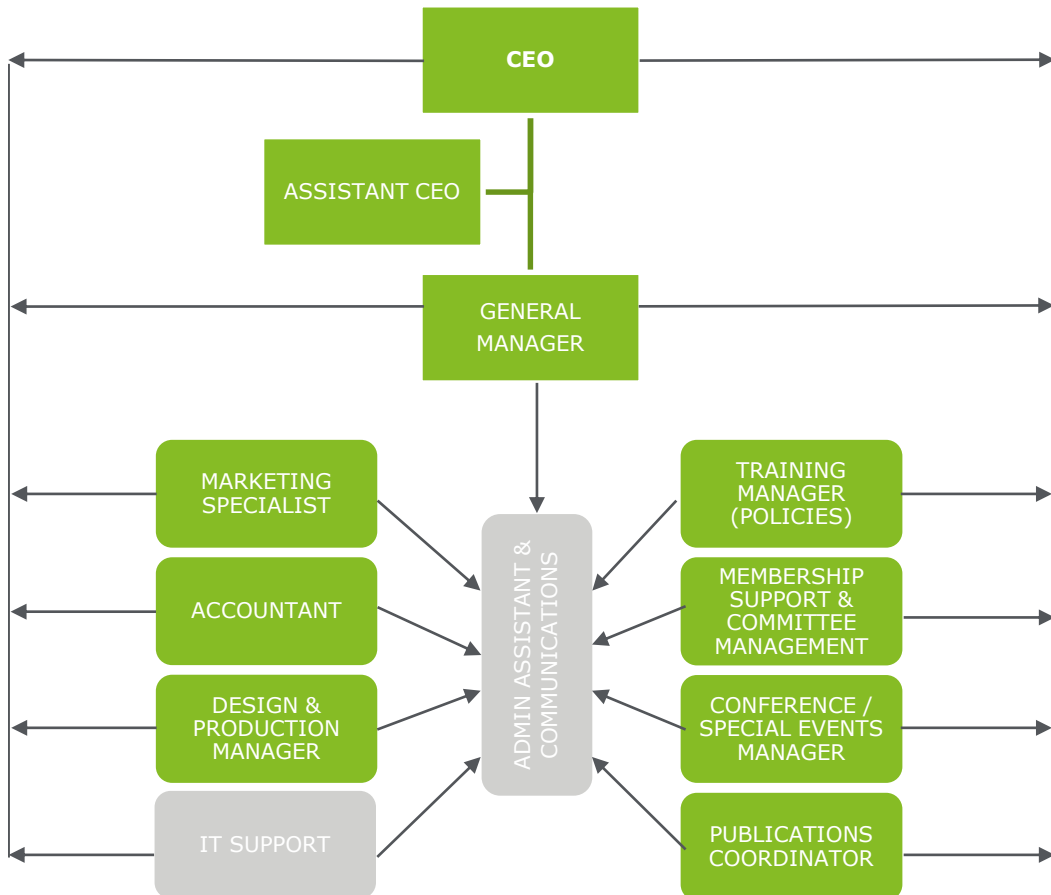
Notes:

- Mandatory employer contributions by country:
 - Amsterdam: 34%-37% (junior-managerial staff)
 - Berlin: 27-32%
 - Geneva: 31%-45%
- Geneva: total employment cost of 10 FTE currently employed as 7.5 FTE.
- Amsterdam and Berlin: costs are based on proxy profiles for benchmark positions and an indicative Secretariat's staffing pyramid according to FIDIC Master Plan 2016-2020, Appendix 3 (see next slide).
- Managing Director's remuneration is considered to remain equal across all locations, based on the estimate provided by FIDIC's project team.

Human resources

Amsterdam and Berlin could offer CHF 400,000-500,000 annual savings on the Secretariat's salary expenditure compared to reported market salary rates in Geneva

FIDIC Secretariat Organizational Chart



Source: FIDIC Master Plan, Appendix 3. Note: positions of IT support and Administrative/communications assistant were excluded from the total employment cost calculation for the purpose of comparison (10FTE)

Indicative annual employment cost, CHF

	Amsterdam	Berlin	Geneva
Assistant CEO (PA/office manager)	50,000	50,000	105,000
General (marketing) manager	133,000	114,000	204,000
Marketing specialist	65,000	63,000	102,000
Accountant (junior)	73,000	58,000	106,000
Design and production manager (graphic designer)	84,000	59,000	103,000
IT support (system administrator)	68,000	63,000	73,000
Training manager	101,000	88,000	139,000
MA support and committee management (executive assistant)	65,000	71,000	131,000
Conference/events manager	133,000	96,000	182,000
Admin and communications assistant	46,000	36,000	69,000
Publications coordinator (experienced/editor)	77,000	65,000	97,000

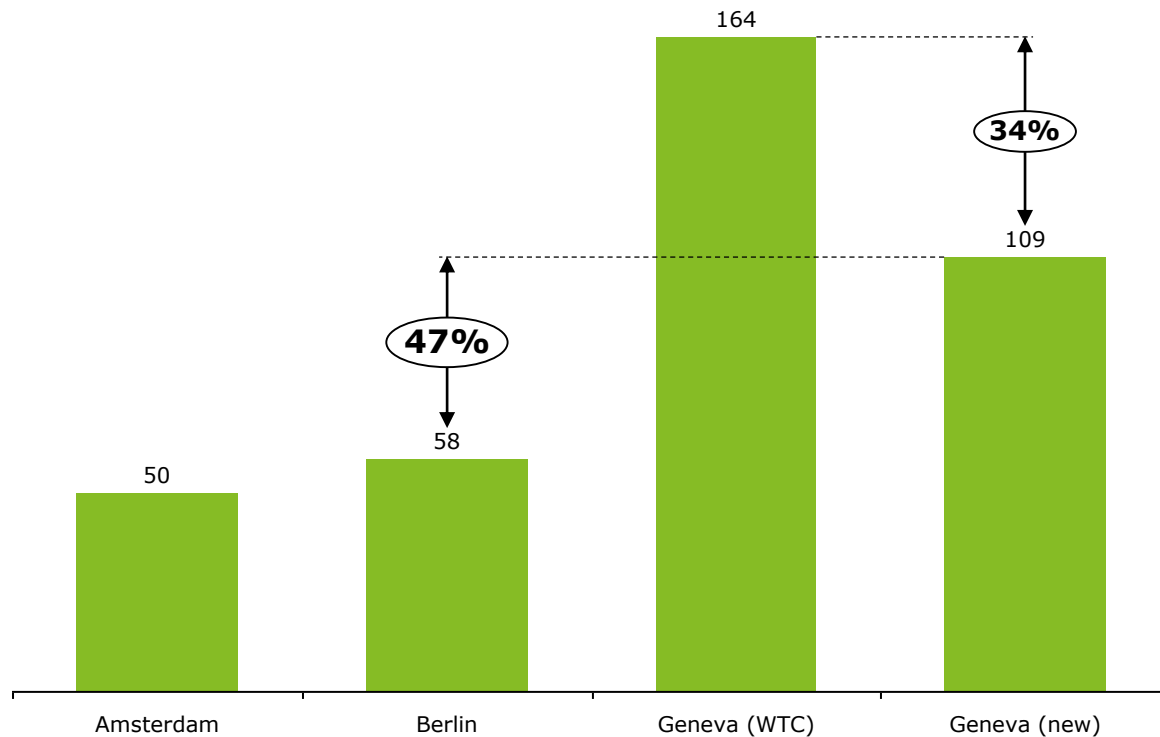
Note: total employment cost – annual base salary and mandatory employer contributions as reported by recruiters in the local market, excluding any specific language or certification requirements.

Source: Deloitte analysis based on data from Economic Research Institute (ERI) Salary Calculator, Mercer, Robert Half, Robert Walters, Randstad.

Real estate

Office rental in Berlin or Amsterdam (CBD fringes) is 30-40% cheaper than in Geneva, where in turn it is possible to find real estate at 30% lower cost than current WTC rates

Indicative annual occupancy cost, 200 sqm, '000 CHF



Notes:

- Indicative cost including rent and service charges.
- Excludes eventual (and optional) fit-out costs.
- For details on a selection of visited properties in each location – please see Appendix.
- Financial contributions, rent-free periods can be agreed with the landlord during the lease negotiation to maximize the benefits.

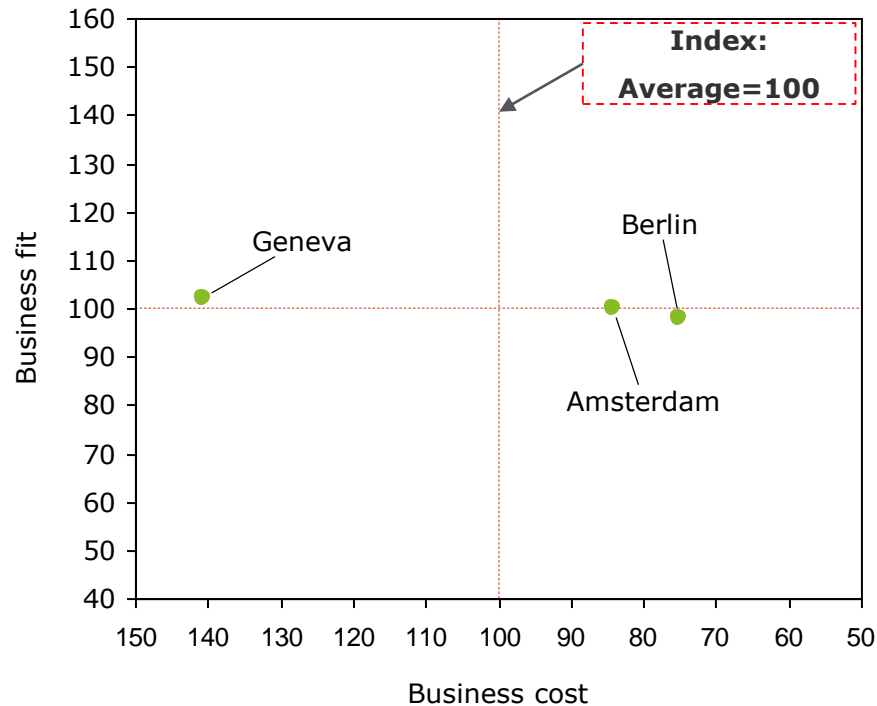
Commentary

- Prime rents in Amsterdam vary greatly depending on the location (CBD/Airport) and costs of high-end properties can equal mid-market rates in Geneva.
- Most of the offices would require fit-out works of a varying degree and cost.
- The buildings tend to have on-site cafeteria for tenants and shared sanitary facilities on each floor, open office layout is predominant.
- Prime rents are aligned across the central Berlin market. It is possible to find lower cost options in the central parts of the city but of inferior quality and with poor accessibility, e.g. Transparency International's office.
- The new developments are catering towards larger tenants. For example, the smallest available properties in the vicinity of the major transport hubs (Hauptbahnhof, Potsdamer Platz) are as of ~300 sqm.
- Some of the properties visited during brief field investigation were ready to move in immediately (including furniture) or would require minimal works to refresh the property.
- Nearly all offices would have a small kitchenette (e.g. equipped with a dishwasher, sink, fridge, electric stove, etc.), own sanitary facilities, separate offices layout is predominant.
- The German MA (VBI) would be willing to temporarily sub-lease to FIDIC several offices at its premises, at regular market rates (i.e. no preferential treatment or cost advantage is envisaged in this scenario over renting elsewhere in the city).
- It is possible to identify offices in Geneva that are at least 30-40% cheaper than at WTC. They would still however remain nearly twice as expensive as in Berlin or Amsterdam (Sloterdijk/non-CBD).
- Due to growing vacancy rates in the Geneva market, it is possible to negotiate attractive conditions with the landlords (rent-free period, financial contribution, etc.).

Trade-off analysis and cash flow summary

Limited difference exists between locations in terms of business fit (qualitative assessment) while Berlin emerges as the frontrunner in terms of lower operating cost

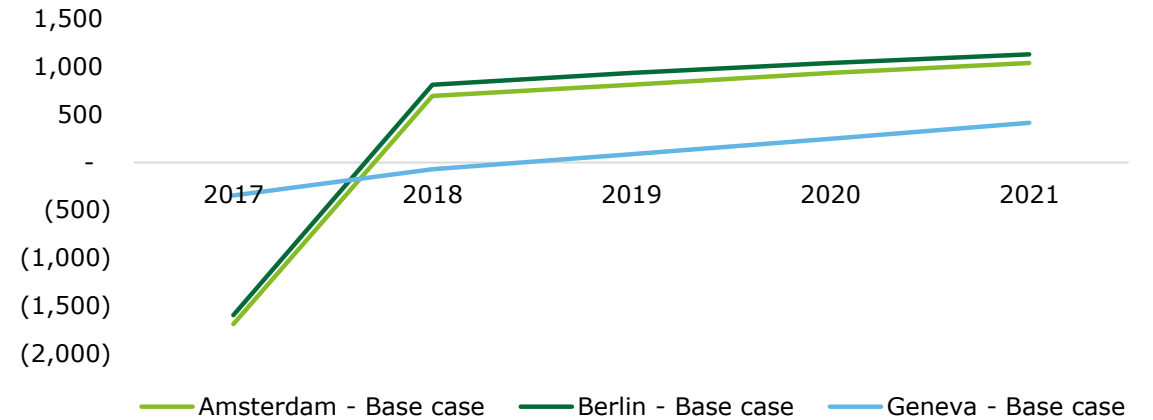
Business fit and business cost trade-off



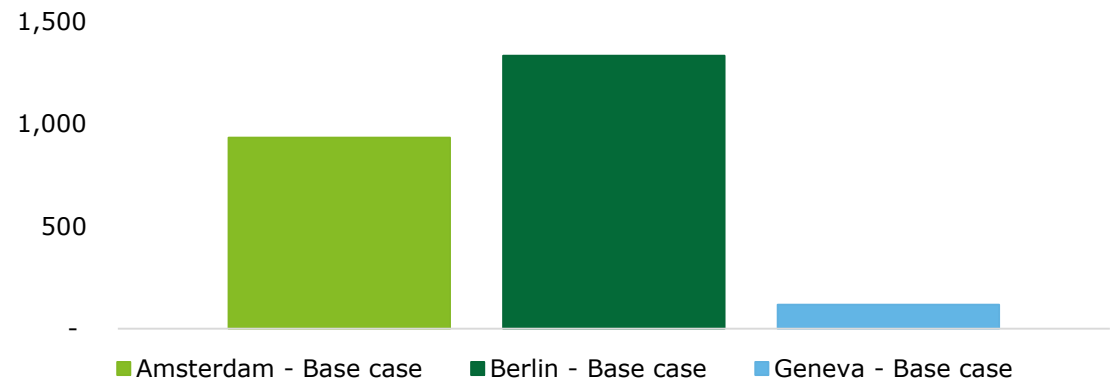
Notes:

- X-axis (inverted): Business cost index covers the total annual operating cost (employment and real estate cost).
- Y-axis: Business fit index shows the relative extent to which each of the locations rank versus FIDIC's location selection criteria.

Cash flow summary, '000 CHF



NPV 2017-2021, '000 CHF



Transition management





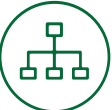
Key risks and mitigation strategy

Although a transition to a new city location will have certain risks, a disruptive impact on FIDIC activities can be mitigated if the risks are properly managed

Risk	Mitigation Strategy
Knowledge loss	<ul style="list-style-type: none">• Regardless of the chosen scenario (relocation abroad or within Geneva) it is highly advisable to document as much as possible critical work processes within the Secretariat. This would allow to minimize the impact of disruption and facilitate the knowledge transfer to new staff should a key employee in charge of the specific task to leave the organization.• At the same time, a “let’s catalogue everything” approach will require time and resources, while decreasing the likelihood of achieving a meaningful result. It can yield some information about everything, but not enough information about the things that are really important.• To avoid the situation, a few specific questions linked to the organization’s key activities (e.g. MA support, events, publications) must be identified and documented.
Staff resignation	<ul style="list-style-type: none">• It is our understanding that all of the current staff is aware of the project in question and awaits the decision on the Secretariat’s future. This could potentially already undermine their loyalty towards the organization.• Clear and consistent communication (as opposed to rumours or piecemeal approach) is of a paramount importance to install credibility and motivate the staff to help oversee the eventual transition. Financial incentives might be necessary to motivate the critical staff to assist during the transition.
Loss of MA	<ul style="list-style-type: none">• Interviewed Member Associations do not see the Secretariat’s geographical location as of critical importance to them and are unlikely to discontinue their membership in case of a relocation.• However, a delay and uncertainty in the decision-making process can be perceived by the members as a lack of leadership and strategic vision for the organization’s future. Therefore a prompt and clearly communicated conclusion will be highly preferred and well accepted regardless of its content.
Loss of image	<ul style="list-style-type: none">• Geneva has an attractive NPO environment hosting a multitude of international organisations/associations, but it is our understanding that FIDIC’s day-to-day activities do not necessarily require actual physical proximity to them.

Key lessons and implications for FIDIC

Regardless of the scope of transition or organization's relocation – the key lessons remain unchanged and can serve as guidelines for FIDIC

	Key lessons	Implications for FIDIC
	Start with the end in mind <ul style="list-style-type: none">Knowing what you hope to achieve allows each party to focus on what matters most. This clarity can provide strategic principles and guardrails to guide discussions and actions, discouraging the urge to catalogue or communicate everything in an attempt to be comprehensive.	<ul style="list-style-type: none">The Executive Committee together with the Managing Director should decide what are the key strategic objectives for FIDIC as an organization going forward – cost reduction, quality of service provision, global image, etc. and take the appropriate location decision.
	Stabilize workforce and retain critical talent <ul style="list-style-type: none">Workforce support will be essential to the successful execution of change. Identify and retain key talent early. Motivation and engagement will often benefit from identifying and tapping into the intrinsic values that drive employees' commitment. Build morale and avoid the exodus of essential institutional knowledge.	<ul style="list-style-type: none">The Secretariat, i.e. the Managing Director, should identify critical staff and ensure/motivate them to oversee the transition process at all (reasonable) cost.Managing director's role during the transition is crucial – in order to facilitate his buy-in of the process a number of best practices in relocation of senior executives could be considered (see the next page).
	Provide clear and consistent communications <ul style="list-style-type: none">Identify key messages and stakeholders and use well-defined touchpoints to deliver a consistent communication campaign. The more clarity on the strategic agenda and priorities, the better. Do not feel that everything needs to be in place before sharing information – emphasize two-way communication.	<ul style="list-style-type: none">Clear communication messages must be distributed among key stakeholders – national Member Associations, partners, suppliers and clients, e.g. an update on a monthly basis.The message should highlight explicitly the reason and strategic objectives behind the move, potential implications and benefits for the concerned party.The communication shall focus on instilling confidence, preparing everyone for the transition, quelling rumours and sharing facts.
	Coordinate complexity without disruption <ul style="list-style-type: none">Set timeline for actions and define governance (decision rights). Set a weekly (monthly) cadence for tracking and monitoring but be prepared to adjust – transition needs to be a highly adaptive process. Ensure you maintain the implementation discipline over time.	<ul style="list-style-type: none">A clear and realistic transition timeline shall be developed taking into account key milestones during this period, e.g. FIDIC annual conference, lease expiration at WTC, vacation period, etc.A suggested approach would be to calculate 'backwards', that is from the desired start date at the new location, e.g. 1 January 2018 (or later).
	Establish leadership and accountability <ul style="list-style-type: none">Establish clear roles, responsibilities and accountability when it comes to integrating new personnel. Early interactions can be critical in establishing credibility and trust.During larger projects, a dedicated transition leader and a team are usually designated.	<ul style="list-style-type: none">On-site local support at the new location is very important, since the Managing Director, assumed to be the key person in charge of the transition, is to continue his regular responsibilities during the process. Support, e.g. shared resources, from the local Member Associations will be important.An independent external professional assistance in project management might be required to assist the Managing Director.

Source: Deloitte Human Capital.

Executive relocation best practices

In case FIDIC intends to recruit internationally, a range of relocation benefits to senior executives must be taken into account

Core relocation services: 5-10% of annual remuneration

1. Administrative/compliance
 - Preparation of personal income tax return in former and new location for all tax years in which remuneration relates to more than one location.
 - Scenario modelling: tax consultation in both former and new location. Pensions and social taxes tend to be aligned to the new host location, however, this will be a particular area of interest of the executives and would be something that would be mapped out in any scenario modelling.
2. Relocation assistance
 - One-way flight for employee and accompanying family to new location.
 - Application for any necessary work permit or visa and/or residence permits for employee and accompanying family.
 - Five days of personal time at or prior to relocation to enable the employee to pack/unpack, arrange accommodation etc.
 - One-off net cash relocation grant
 - E-learning cross-cultural training programme as necessary.
 - Air shipment of personal effects for employee and accompanying family.
 - 30 days of temporary accommodation.
 - Destination services assistance, e.g. to find suitable accommodation and schools, buy a personal car, etc.

Additional services: 10-50% of annual remuneration

These services may be provided to the individual at the discretion of the organization

1. Personal tax / investment advice
 - Additional budget to be provided to the individual for use on personal tax and investment advice relevant to them. For example this could be used to prepare a tax return in a third country or to provide detailed advice on the capital gains tax implications of selling a property.
2. Further relocation assistance – one-off benefits
 - Assistance with sale of one property in former location.
 - Reimbursement for any loss on sale of one vehicle in former location.
3. Further relocation assistance (ongoing benefits): may be provided in exceptional circumstances up to three years from relocation. The business may either reduce these benefits on a sliding annual scale over the three year period or remove unilaterally at the end of this period:
 - Assistance with school fees;
 - Contribution to cost of housing and utilities;
 - Enrolment in local medical insurance plan.

Work shadowing

The two offices will have to be run in parallel during transition while the newly hired personnel takes over the ownership of the processes (work shadowing). Effective work shadowing consists of 4 learning stages:



Guest

Host

1. Observe

The host does his/her every day work according to the processes, for which he/she is responsible, explaining them to the guest as they occur during the daily work flow. The guest observes, takes notes and watches the host. After some time, depending on process, the guest can start assisting.



Guest

Host

2. Assist

The guest starts assisting the host in performing parts of the work tasks under the supervision and responsibility of the host. He may also start communicating to third parties on behalf of the host and under the hosts supervision. At this point, the guest is getting an understanding of the process and how it is supported in related IT systems.



Host

Guest

3. Perform

The guest is independently performing selected steps in a process. He/she does so under the supervision of the host. Some guidance and correction is still needed. But the guest is now 'in the driver's seat' and the host is helping on the side. At this point, the guest has gained familiarity with the process and its usual flow. The host may take time to look at alternative outcomes, typical errors and/or variations to the process.



Guest

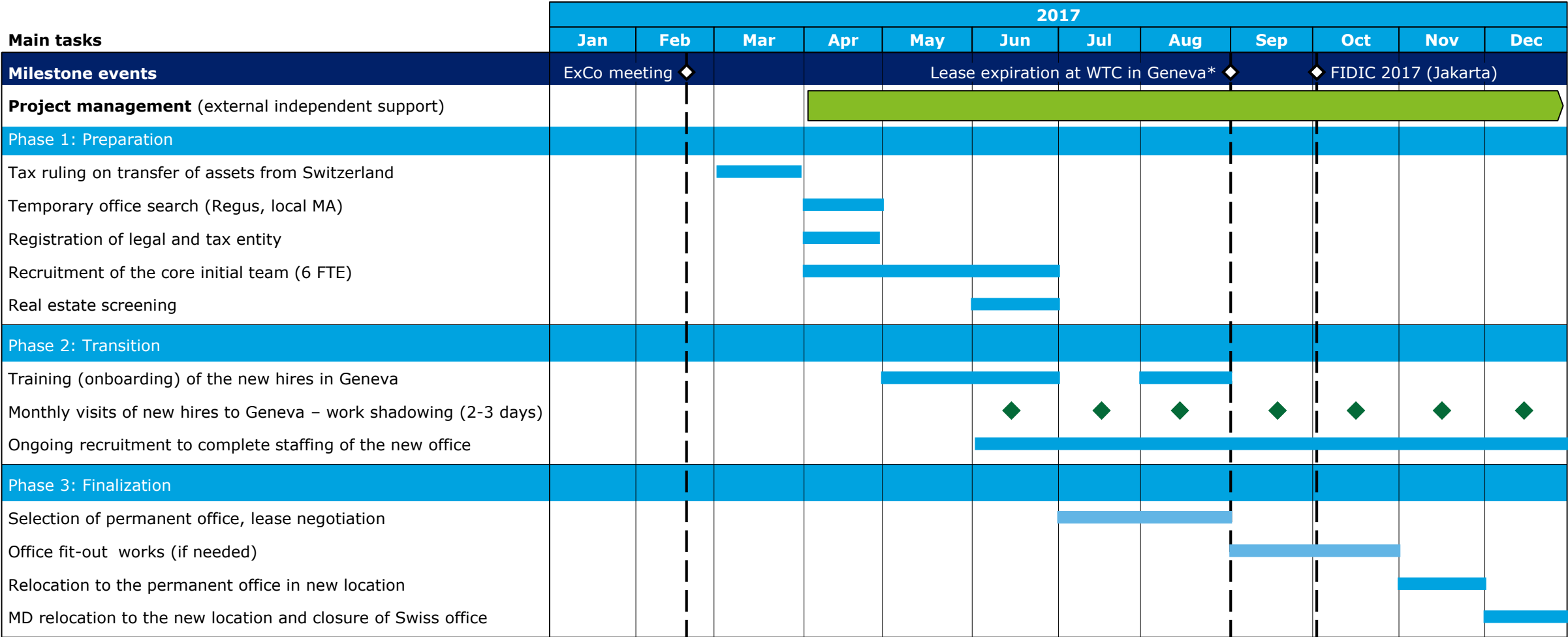
4. Own

The guest is now taking over the process and independently handling the process from end-to-end. At this stage, the host is comfortable letting the guest handle processes. The host is still available, remotely, to assist in resolving possible uncertainties or odd cases the guest may have come across. The guest has taken ownership of the process and can do it independently.

Source: Deloitte Global Business Services Advisory.

Transition timeline

An indicative transition timeline in case of a relocation to Amsterdam or Berlin without major disruptions to FIDIC’s activities is of approximately one calendar year



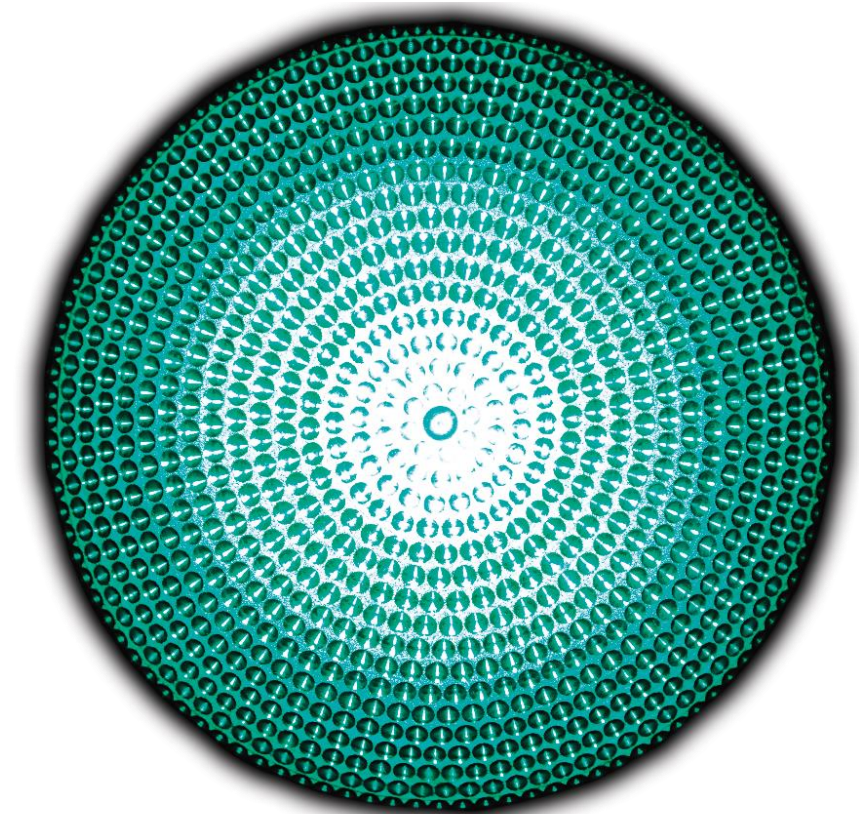
*Note: FIDIC to confirm the possibility and conditions of lease extension at WTC beyond August 2017.
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Tax implications

Germany

Settings

- FIDIC remains as a professional association in Switzerland.
- The members of FIDIC remain in the Swiss professional association.
- Establishment of a German Service GmbH as a 100% subsidiary.
- Takeover of the idealistic activities (lobbying) of the professional association by the German Service GmbH (as far as possible).
- Takeover of all current economic activities of FIDIC by the German Service GmbH (as far as possible).



Establishment of a German Service GmbH from the German tax perspective

Establishment of a German GmbH is relatively simple.

Share capital amounts to at least EUR 25,000.00.

Service GmbH is completely a subject to taxation in Germany (corporate income tax, trade tax, VAT).

There are no tax exemptions for a commercially acting GmbH comparable to the tax exemptions for professional associations.

Scope of activity of the Service GmbH

Takeover of the idealistic activities of FIDIC (Verbandstätigkeit)

Because of the fact that FIDIC decided to keep its official domicile in Switzerland, the members keep membership in the Swiss professional association and pay their membership fees there. The idealistic/professional activities of the association, which means administrative and lobbying activities in connection with the membership, can be performed by the German Service GmbH **but only on behalf of FIDIC**. The Service GmbH would be only a service provider for FIDIC and cannot act as a professional association itself.

1

FIDIC uses the membership fees collected in Switzerland to pay for the services carried out by the Service GmbH.

2

FIDIC and the Service GmbH should have a service agreement for these services.

3

The GmbH charges FIDIC for its services (cost plus principle: we assume at least 5% on standard services, to be checked in detail).

Scope of activity of the Service GmbH

Other economic activities

Other economic activities are activities unrelated to the purpose of the tax-exempt organization (e.g. publications, events, trainings). There are two possibilities for the Service GmbH to perform these activities:

On behalf of FIDIC

- FIDIC remains a contractual partner for the customers and receives the revenues resulting therefrom.
- Service GmbH charges FIDIC with all the costs it bears (cost plus principle).
- Service GmbH only performs as an internal contractual partner for FIDIC.
- The profit and loss accounts of FIDIC include the income from the external customers and the belonging expenditures charged by the Service GmbH.



On its own behalf

- Service GmbH becomes a contractual partner for the external customers and receives its own revenues from publications, events and trainings.
- Service GmbH has its own cost structure and calculations.
- The profit and loss accounts of FIDIC includes only the income from the administrative and lobbying activities in connection with the membership.

Tax consequences from the German tax perspective

The German Service GmbH is subject to :

- German corporate income tax (CIT 15% + 5,5% solidarity surcharge on CIT)
- German trade tax (currently ca. 14,35% for Berlin)

The turnover of the Service GmbH is subject to VAT. In general, there are no tax benefits as for professional associations.

→ The VAT-treatment of the services of the German Service GmbH depends on the actual service agreements between the GmbH and FIDIC. Basically, it is to differ as follows:

1. If Service GmbH acts on behalf of FIDIC regarding its economic activities (publications, events, trainings), then FIDIC performs as a VAT-entrepreneur towards the external customers. As a result, Service GmbH carries out services for a foreign entrepreneur and therefore all their services to FIDIC are **not subject to German VAT.**

2. If FIDIC only performs the idealistic activities, then FIDIC does not act as a VAT-entrepreneur from the German VAT point of view anymore. Then, all services carried out by the Service GmbH for FIDIC are **completely subject to German VAT at a tax rate of 19%.** It has to be clarified, if VAT paid in Germany is deductible as input VAT on the level of FIDIC in Switzerland.

→ Nevertheless, in both cases Service GmbH is entitled to deduct their input VAT in Germany.

→ Please note, special VAT-rules for instructing and special consulting services, execution of events, performances or exhibitions could apply.

Tax consequences from the German tax perspective



If the Service GmbH performs the economic activities on its own behalf in the future, attention has to be paid to the following aspects:

- transfer of know how (against payment)
- granting of licenses and patents from FIDIC to Service GmbH.

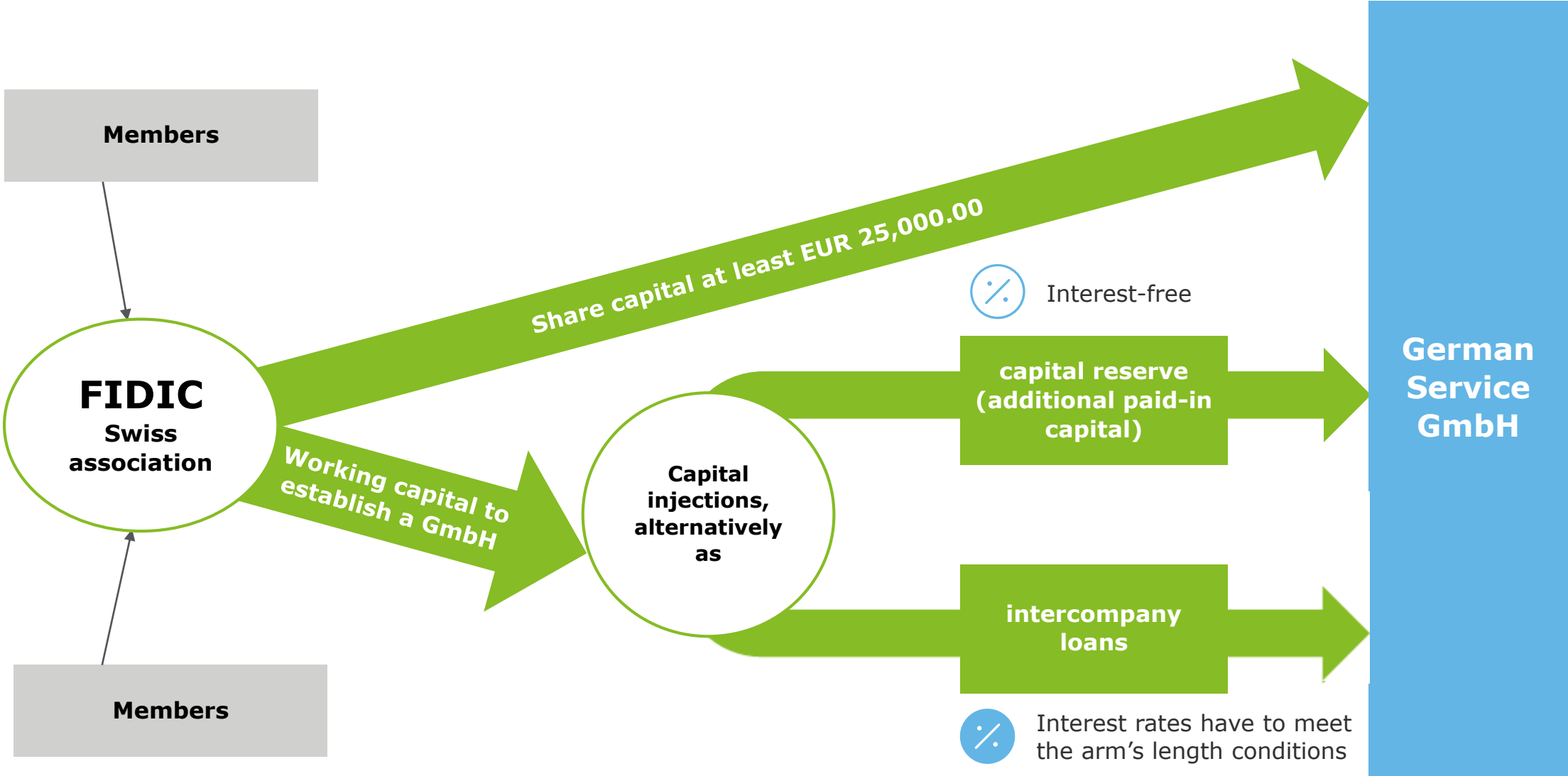
From the Swiss tax point of view it should be discussed if an appropriate remuneration is to be agreed on. We recommend to analyze these matters with a Swiss Tax Advisor.



Supply of services from a subsidiary to a foreign holding association should be agreed on in consideration of the arm's length principle.

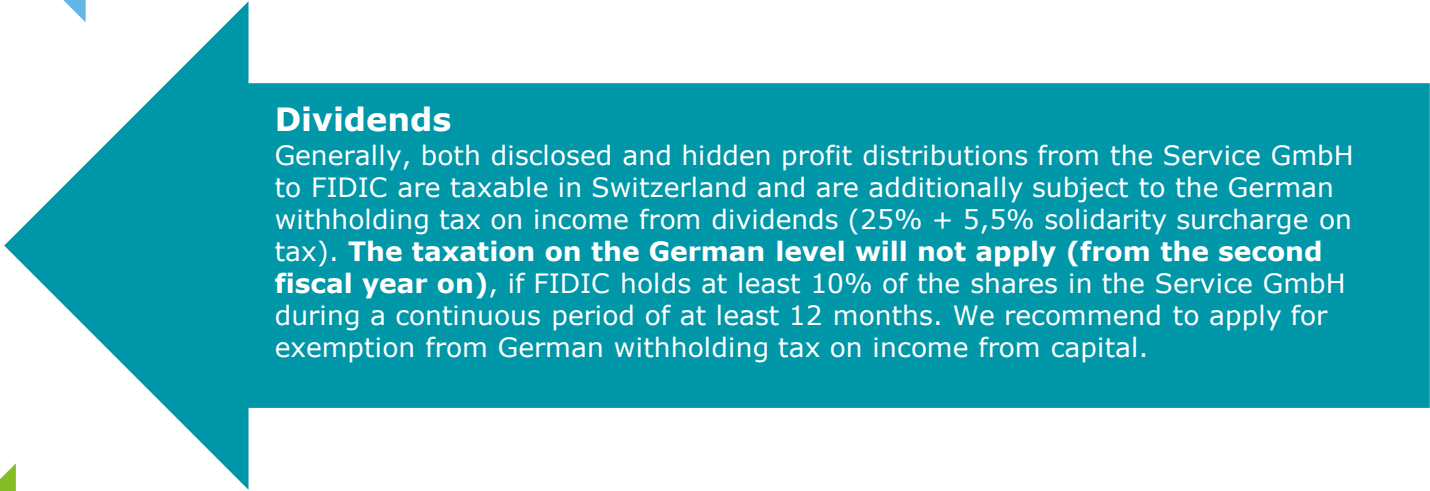
Financial structure

Phase of establishment



Financial structure

Phase of commercial activities



Requirements and instructions regarding flow of funds between affiliated companies in Germany and Switzerland



FIDIC must not have its own permanent establishment or a representative's permanent establishment in Germany.



The German Service GmbH must not conclude contracts on behalf of FIDIC or conclude any other contracts that would result in legal bond of FIDIC towards third parties. The Service GmbH can only act as a service provider.



Payment agreements (e.g. interest, licenses) have to fulfil the arm's length criteria.
Must be addressed separately with the transfer pricing experts (from the German tax perspective).



Transfer prices regarding cost plus fee concept depend on the economic substance remaining in Switzerland (cost plus at least 5%, to be proven in detail). It is only possible, when the decision-making power remains with the professional association in Switzerland.

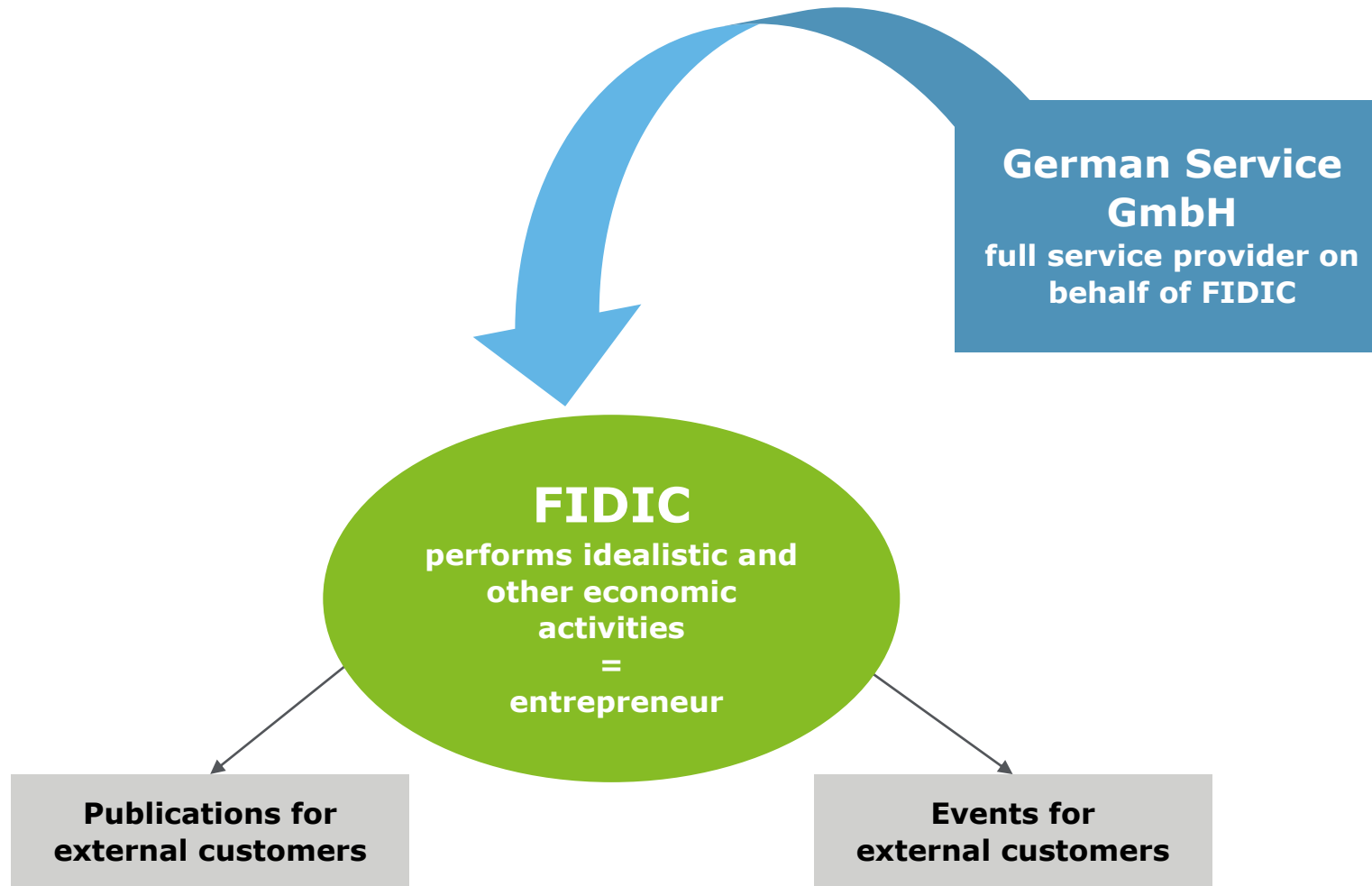


We assume, that FIDIC will be treated as a corporate entity and therefore treated as an entity in the legal sense of the Swiss-German Double Tax Treaty.
Mus be confirmed from the Swiss tax perspective.

Summary

Two ways of takeover of FIDIC services by the Service GmbH

1. Service GmbH acts on behalf of FIDIC



VAT in Germany

Services carried out by the German Service GmbH for FIDIC are not subject to German VAT.

VAT in Switzerland

It has to be clarified, if services carried out by the German Service GmbH for FIDIC are subject to Swiss VAT.

Know How and licenses

There is no transfer of Know How from Switzerland to Germany. The licenses remain in Switzerland as well.

Summary

Two ways of takeover of FIDIC services by the Service GmbH

2. Service GmbH acts on its own behalf regarding economic activities

VAT in Germany

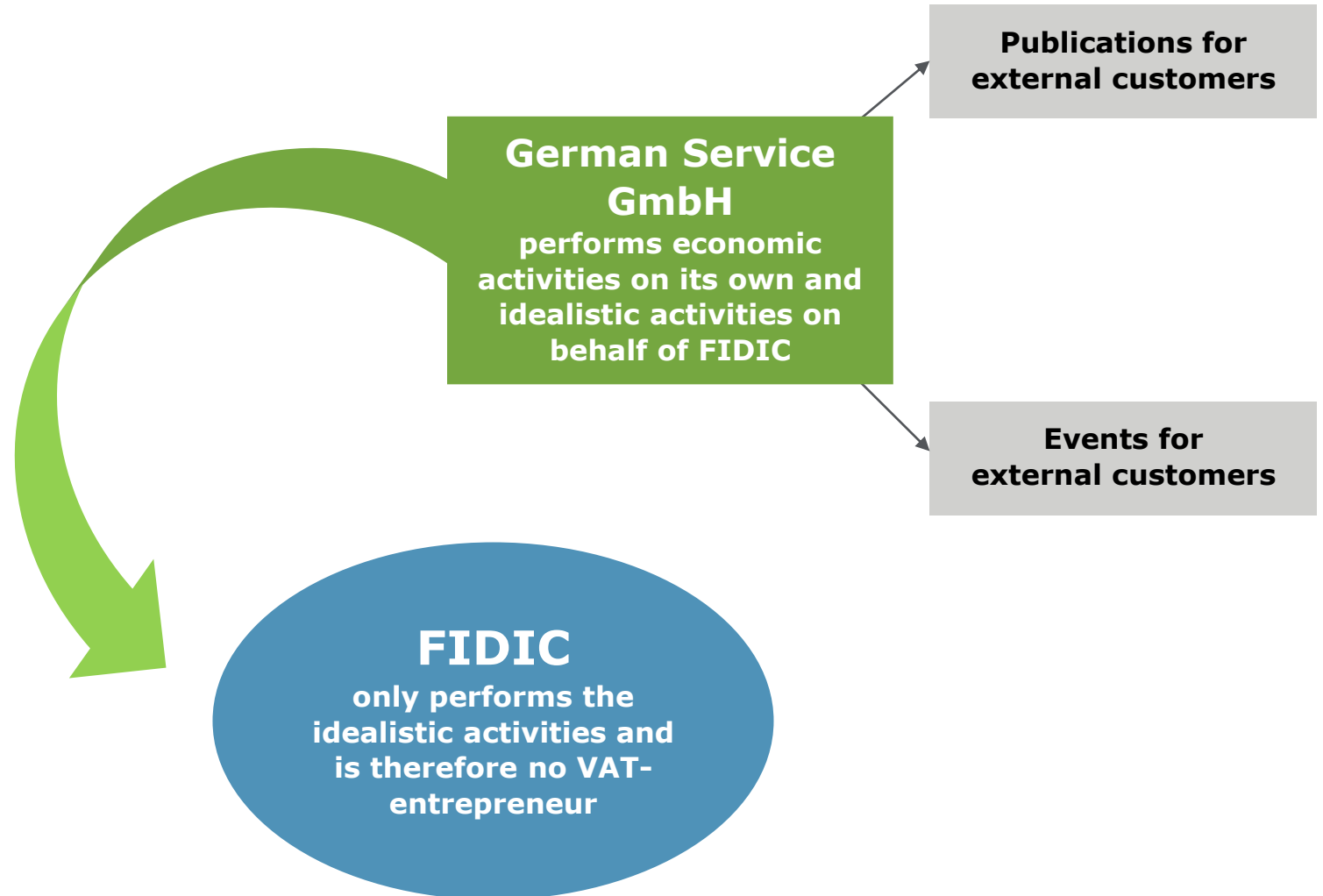
All services carried out by the Service GmbH for FIDIC are fully subject to German VAT at a tax rate of 19%.

Input VAT in Switzerland

It has to be clarified, if VAT paid in Germany is deductible as input VAT on the level of FIDIC in Switzerland.

Know How and licenses

The transfer of Know How and licences appears and should be discussed from the Swiss tax perspective.



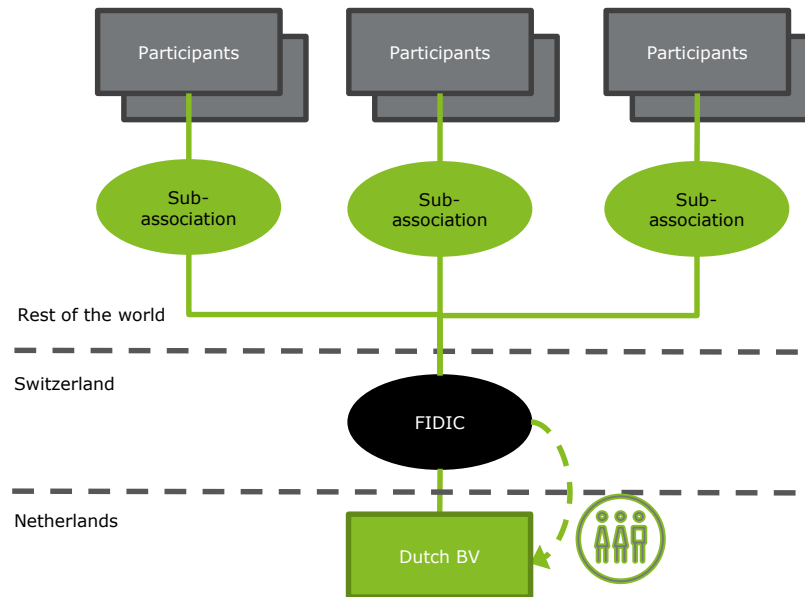
Netherlands

Setting up a Dutch legal entity

Legal requirements

**PENDING
APPROVAL**

Simplified structure



Analysis

- FIDIC considers to incorporate a Dutch legal entity (limited liability company or “Dutch BV”) in the Netherlands. As a result, the legal entity FIDIC will own 100% of the shares in the Dutch BV.
- We understand that all core activities and personnel will be transferred to the Dutch BV. In case virtually all activities (including management, personnel, administration etc.) are transferred to the Netherlands, this might lead to a transfer of the place of effective management to the Netherlands.
- In case the place of effective management of FIDIC is transferred to the Netherlands, the Swiss association might become a domestic taxpayer liable to Dutch CIT. We recommend to investigate the exit tax consequences of the transfer of the place of effective management in Switzerland.
- The following rates will apply: profit < EUR 200,000 – 20%, profit >200,000 – 25%. The threshold will be increased to EUR 250, 300 and 350 thousand respectively in 2018, 2020 and 2021.

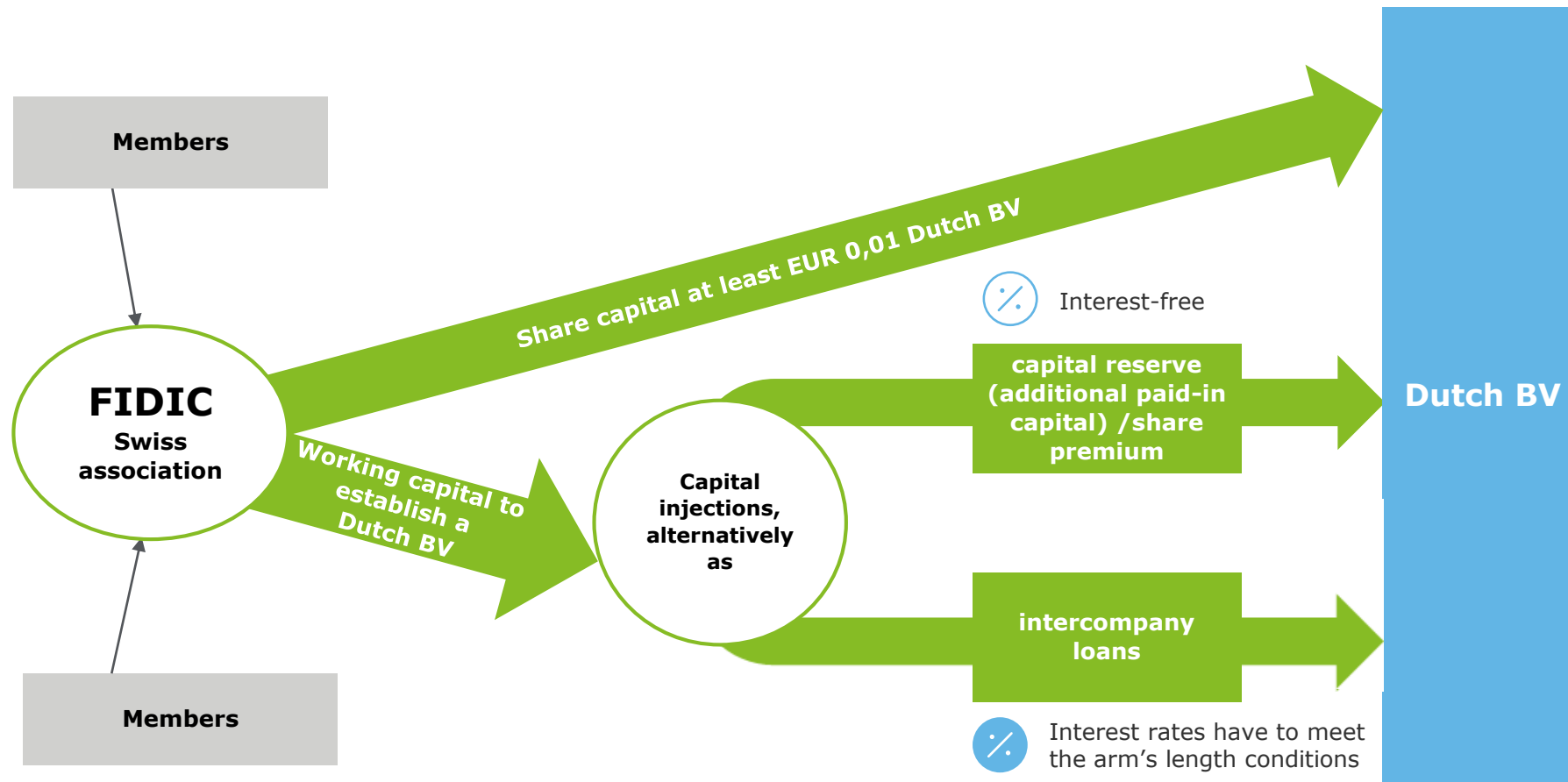
Legal requirements BV

- For the incorporation of the Dutch BV, the following legal requirements must be met:
 1. A deed of a Dutch civil law notary;
 2. Executing articles of incorporation for the Dutch BV as obligated by Dutch legislation, drawn up by a Dutch civil law notary;
 3. Registration with the Chamber of Commerce in the Netherlands and Dutch tax authorities.
- The minimum issued share capital for a Dutch BV under Dutch law is € 0,01.
- Shareholders are in principle not personally liable for the BV’s obligations.
- As soon as the Dutch BV is incorporated, it is required to keep and maintain proper (financial) administration, keep corporate documentation, prepare annual accounts and submit tax returns.
- In order to avoid discussions with the Dutch and foreign tax authorities on the place of residency of a Dutch BV, the Dutch BV should be effectively managed and controlled in the Netherlands. The place of effective management and control is determined based on actual facts and circumstances.

Setting up a Dutch legal entity

Funding

PENDING APPROVAL

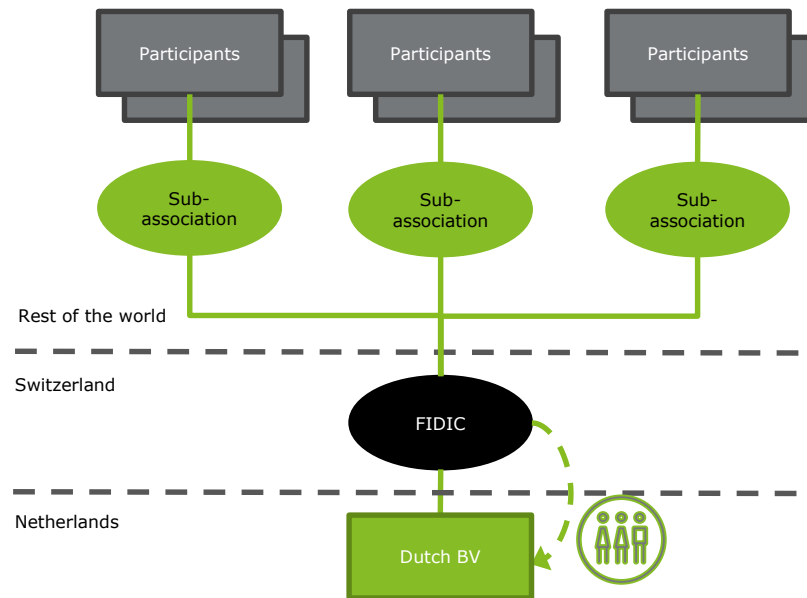


Setting up a Dutch legal entity

CIT/WHT/VAT

**PENDING
APPROVAL**

Simplified structure



Potential Dutch CIT / WHT consequences

- We understand that the BV will carry out (service) activities (such as organizing events, publications etc.) on behalf of FIDIC and will receive an at arms length remuneration.
- In case only support activities are transferred to the Dutch BV (while keeping sufficient substance in Switzerland), a remuneration on cost plus basis might be acceptable from a Dutch CIT perspective. However, **in case virtually all (core) activities are transferred with little substance remaining in Switzerland, a remuneration on cost plus basis would probably not suffice.** We highly recommend to further investigate what an at arms length remuneration (i.e. the expected taxable result of the Dutch BV) should be in this respect.
- A Dutch BV is in principle subject to Dutch dividend withholding tax ("WHT"). In case FIDIC and the Dutch BV qualify as resident of Switzerland and the Netherlands (according to the avoidance of double taxation treaty between the two countries), the rate can be reduced to 0% (we note that certain anti abuse rules need to be taken into account).
- We note that the Netherlands does not levy any withholding tax on interest or royalty payments from the Netherlands.
- We note that a request for functional currency can be filed so that the Dutch tax return can be filed in CHF (in case other requirements are met as well).

Potential Dutch VAT consequences

- The turnover of the Dutch BV is subject to VAT.
- The VAT-treatment of the services of the Dutch BV depends on the actual service agreements between the Dutch BV and FIDIC.
- If the Dutch BV carries out economic activities in the Netherlands then the Dutch BV is regarded as a VAT-entrepreneur. In case the Dutch BV carries out services for a foreign VAT -entrepreneur, as a general rule, these services are subject to VAT in the country of the recipient. We note that there are exceptions to this rule (e.g. providing access to events are in principle subject to VAT in the country where the event takes place).
- In case the Dutch BV carries out services for other than (foreign) VAT entrepreneurs, as a general rule these services are subject to VAT in the country of the service supplier (i.e. the Netherlands).
- In principle the Dutch BV is entitled to deduct their input VAT on costs incurred in case the costs relate to VAT taxable activities. We note that there are special VAT-rules for educational services.

Requirements and instructions regarding flow of funds between affiliated companies in the Netherlands and Switzerland

**PENDING
APPROVAL**



FIDIC must not have its own permanent establishment or a representative's permanent establishment in the Netherlands.



The Dutch BV must not conclude contracts on behalf of FIDIC or conclude any other contracts that would result in legal bond of FIDIC towards third parties.



Payment agreements (e.g. interest, licenses) have to fulfil the arm's length criteria. Our transfer pricing team would be happy to assist you in that matter (from the Dutch tax perspective).



Transfer prices regarding cost plus fee concept depend on the economic substance remaining in Switzerland (cost plus at least 5%, to be proven in detail). It is only possible, when the decision-making power remains with the professional association in Switzerland.



We assume, that FIDIC will be treated as a corporate entity and therefore treated as an entity in the legal sense of the Swiss-Dutch Double Tax Treaty. That should be confirmed from the Swiss tax perspective.

Appendix

Appendix

Note on data accuracy and validity

Data accuracy

- The data used in this report have been gathered from trusted international, national and local sources.
- Deloitte duly applied the data validation procedures characterising its site selection services.
- Where data were deemed insufficiently robust, Deloitte developed working hypotheses.

Data validity

- Deloitte typically estimates that validity of the location-related data expires within 8 to 12 months after its report submission date as a result of, for example, changes in the labour market, changes in real estate availability (currently identified properties may be leased-out, additional developments may come to market), macro-economic and political changes.

Appendix

Location selection criteria and weights

Criteria	Weights			
	Aisha Nadar	Alain Bentejac	Enrico Wink	Team (average) score
Infrastructure and accessibility	20%	20%	25%	22%
International airway accessibility	15%	15%	15%	15%
Near-term availability of suitable office facilities	5%	5%	10%	7%
Human resources	10%	10%	10%	10%
Availability of suitable functional skills				8% *
Ease of obtaining working permits for non-resident (non-EU) staff				2% *
Operating environment	25%	40%	25%	30%
Ease of business permitting (registration) for non-profit organization	10%	15%	10%	12%
Simple and flexible hiring and firing regulations	10%	15%	10%	12%
Proximity ("connection") to national MA	5%	10%	5%	7%
Location attractiveness	30%	20%	25%	25%
Quality of life	10%	10%	10%	10%
Global image (neutrality, vibrancy, internationalism)	20%	10%	15%	15%
Taxation & incentives	15%	10%	15%	13%
Taxation of non-profit organizations	10%	5%	10%	8%
Government support - tax and other incentives	5%	5%	5%	5%

*Note: Deloitte's recommendation.

Appendix

Human resources – indicative job profiles

Assistant CEO (Personal assistant/office manager/executive secretary) – performs routine clerical and administrative functions such as drafting correspondence, scheduling appointments, organizing and maintaining paper and electronic files, or providing information to callers. Manage the executive’s schedules. Make travel arrangements to make best use of their time. [similar responsibilities and level of duties is envisaged for MA support/admin and communications assistant]

General manager (Marketing manager) – directs the operating activities of an organization, formulates policies, manages daily operations, plans the use of materials and human resources; typically the second highest executive in the organization; 7-10 years of professional experience.

Marketing specialist – encourages sales and creates goodwill for firm's products or services among customers or prospects, and supports a broad range of marketing activities, calls on existing or potential customers; a non-supervisory position.

Accountant – reconciles accounts, posts journal entries, and maintains a complete and accurate general ledger in accordance with accounting principles and reporting schedules so that the organisation has a full and accurate statement of its financial position. Collect, compile, verify, and analyse financial information and prepare financial reports and accounting statements so that senior management has accurate and timely information for making financial decisions.

Design and production manager (Graphic designer) – designs art and copy layouts for material to be presented by visual communications media such as books, magazines, newspapers, Internet websites, television, and packaging. Develops materials manually or utilizes graphic software to design and produce finished artwork or product. Plans content, graphic aspects, and presentation of material, product, or service.

IT support specialist (System administrator) – installs, configures, and supports an organization’s local area network and Internet systems. Monitor network to ensure network availability to all system users and may perform necessary maintenance to support network availability.

Training manager – manages the activities related to various training and educational programs for an organization. Studies and identifies individual or group training needs, and administers plans, procedures, and programs to meet training needs. Develops a variety of training aids and materials.

Conference/events manager – coordinate activities of staff, external contractors or clients to make arrangements for group meetings, events, or conventions.

Publications coordinator (manager) – formulates policy; plans, coordinates, and directs editorial activities; and supervises workers who assist in selecting and preparing material for publication in magazines, trade journals, house organs, and related publications. Determines theme of issue and gathers related material. Writes or assigns staff members or freelance writers to write articles, reports, editorials, reviews, and other material.

Appendix

Human resources – key demographic and employment data

	Amsterdam	Berlin	Geneva
Metropolitan population	2,400,000	5,800,000	1,400,000*
Tertiary education graduates	54,000	34,000	9,000
Employment, of which:	35,100	76,800	45,200
Professional, scientific and technical activities	15,900	27,700	11,600
Activities of membership organisations	18,700	47,300	31,000
Activities of extraterritorial organisations and bodies	500	1,800	2,600

* Note: Lake Geneva region.

Sources: Deloitte based on Eurostat and national statistical offices data.

Appendix

Amsterdam site visit: Agenda - Monday, December 12

Time	Meeting
8:30 – 09:30	Meeting with CBRE real estate Main discussion topics: Understanding of the lay-of-the land and visit to the example office projects (Sloterdijk, Schiphol airport) <i>Laura Rippen - Consultant</i>
10:00 – 12:00	Meeting with Investment promotion agency (Amsterdam in Business) Main discussion topics: Understanding operating environment for NPO in Amsterdam <i>Martijn de Boer – Senior Manager</i> <i>Koen Daamen – Project Manager</i>
12:30 – 14:00	Meeting with local Member Association – NLIingenieurs Main discussion topics: Identifying potential support from MA, recruitability and remuneration of suitable skills <i>Jacolien Eijer – Director</i>
14:30 – 15:45	Meeting with Deloitte Tax Netherlands Main discussion topics: Applicable tax regime and legal framework for NPO in the Netherlands <i>Ruud de Jong - Senior Manager, Tax</i> <i>Tjaard Boomsma - Senior Consultant, Tax</i>
16:15 – 17:15	Meeting with JLL real estate Main discussion topics: Understanding of the lay-of-the land and visit to the example office projects (Amsterdam Zuid, Amsterdam Arena) <i>Rogier van Weeghel – Consultant</i>

Appendix

Berlin site visit: Agenda - Tuesday, December 13

Time	Meeting
9:00 – 10:00	Meeting with Investment promotion agency (Germany Trade and Invest) Main discussion topics: Understanding operating environment for NPO in Berlin <i>Josefine Dutschmann - Senior Manager GTAI</i> <i>Udo Sellhast – Senior manager, Tax and Legal Services</i>
10:15 – 11:45	Meeting with CBRE real estate Main discussion topics: Understanding of the lay-of-the land and visit to the example office projects (Friedrichstraße, Ku'Damm) <i>Philip Schneider - Senior Consultant</i>
12:00 – 12:30	Meeting with local Member Association – VBI Main discussion topics: Visit of VBI premises <i>*Meeting with Arno Metzler – Head of VBI, held a week earlier in Brussels</i>
13:00 – 14:15	Meeting with Deloitte Tax Germany Main discussion topics: Applicable tax regime and legal framework for NPO in Germany <i>Dr. Michael Massbaum – Partner, Tax</i> <i>Claudia Specht – Senior Manager, Tax</i>
14:30 – 15:00	Meeting with Cushman & Wakefield real estate Main discussion topics: Understanding of the lay-of-the land and visit to the example office projects (Mitte) <i>Gregor Stolle - Senior Consultant</i>
15:30 – 16:30	Meeting with Transparency International Main discussion topics: Understanding operating environment for NPO in Germany, recruitability of skills, etc. <i>Joachim Göbeler - Human Resources Director</i> <i>Tamar Neuwirth - Human Resources Officer Recruitment</i>

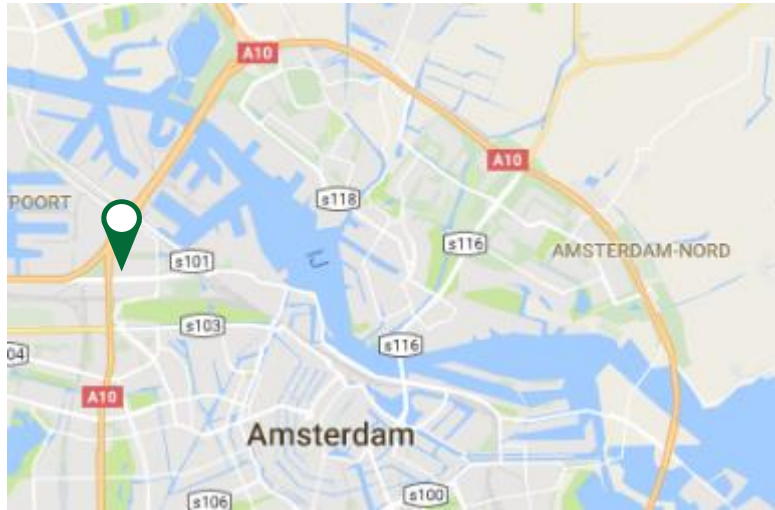
Appendix

Geneva site visit: Agenda - Wednesday, December 14

Time	Meeting
10:30 – 12:30	Meeting with CBRE real estate Main discussion topics: Understanding of the lay-of-the land and visit to the example office projects (Cité-centre, Saint Gervais) <i>Aladdin Lahmar - Analyst</i>
13:00 – 14:00	Meeting with Deloitte Tax Switzerland Main discussion topics: Implications of a potential exit from the country <i>Sylvain Godinet – Senior Manager, Tax</i>
14:30 – 15:30	Meeting with Investment promotion agency (CAGI) Main discussion topics: Understanding operating environment for NPO in Geneva <i>Julien Beauvallet – Head of NGO Service</i>
16:00 – 17:30	Meeting with FIDIC Main discussion topics: Project update <i>Enrico Vink – FIDIC Managing Director</i> <i>Aisha Nadar – Member of Executive Board (teleconference)</i> <i>* Phone conversation with Swiss Member Association (USIC) held a week earlier</i>

Appendix

Amsterdam site visit: Exemplary office space #1 – Sloterdijk

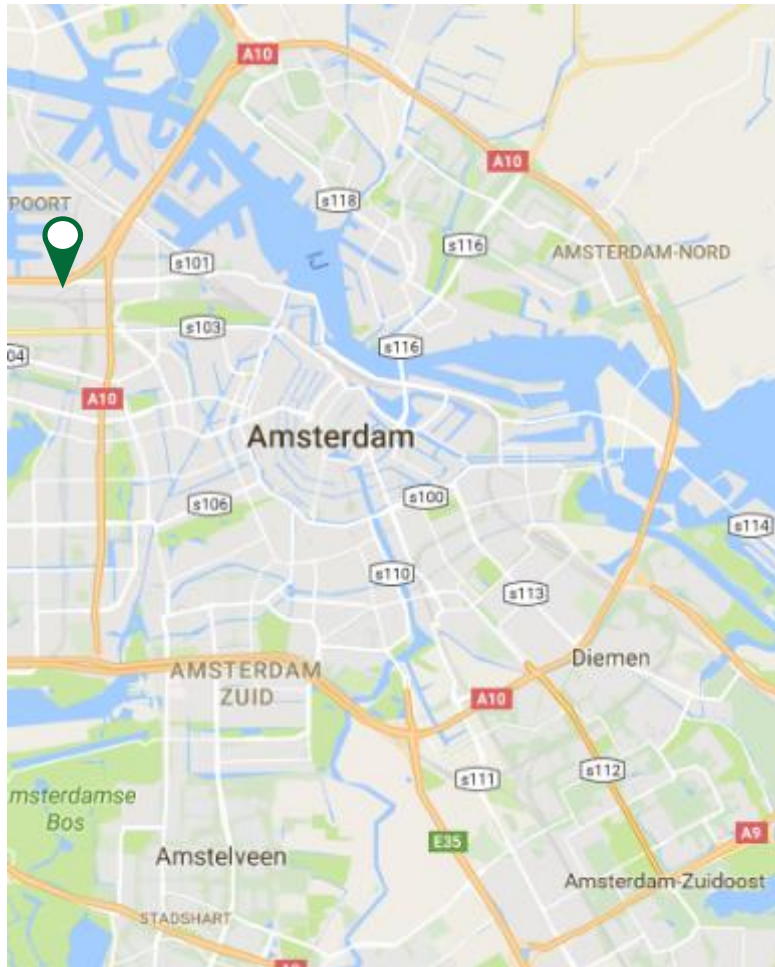


	Kabelweg 37
Available space	257 sqm
Total annual occupancy cost	CHF 54 000
Accessibility	10-15 min walk from the train station with direct connection to the airport (10 min) and the city centre (5 min)
Comments	Creative look and feel, recently renovated – houses several start-ups, on-site cafeteria, windows facing the parking lot (2 nd floor), open space layout.



Appendix

Amsterdam site visit: Exemplary office space #2 – Sloterdijk (1/2)

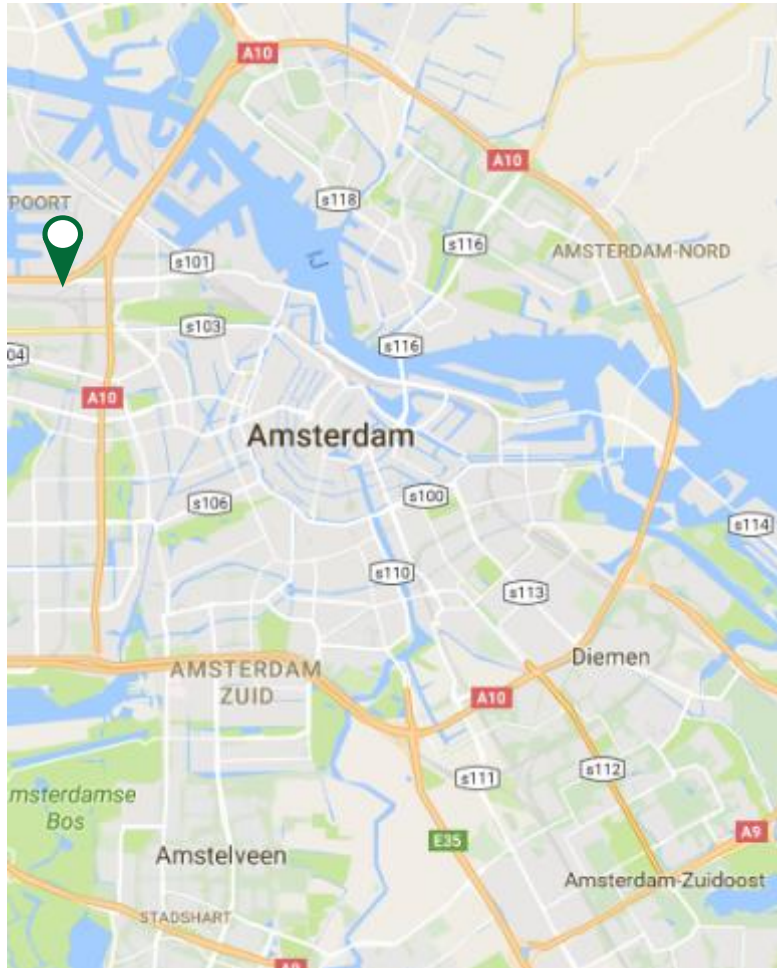


Radarweg 60	
Available space	292 sqm (gross, effective ~ 250 sqm)
Total annual occupancy cost	CHF 71 000
Accessibility	500 m from the train station with direct connection to the airport (10 min) and the city centre (5 min)
Comments	Renovated ground floor and reception, coffee bar and shared meeting rooms, open space layout; a mix of private and public (governmental organizations) tenants in the building.



Appendix

Amsterdam site visit: Exemplary office space #2 – Sloterdijk (2/2)

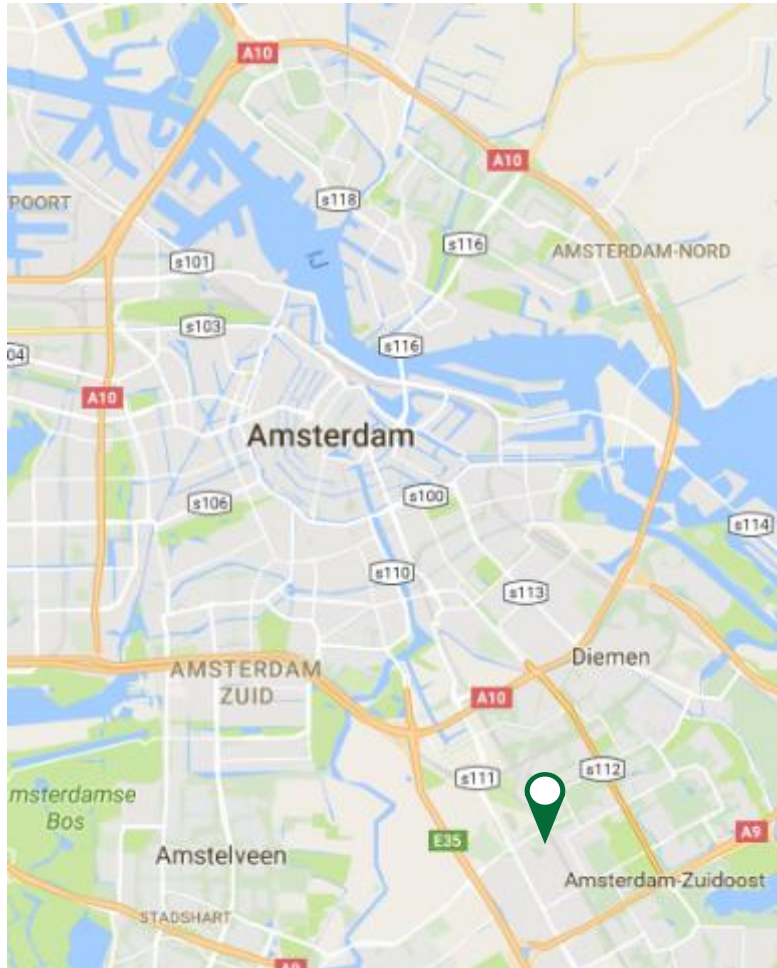


	Radarweg 60
Available space	292 sqm (gross, effective ~ 250 sqm)
Total annual occupancy cost	CHF 71 000
Accessibility	500 m from the train station with direct connection to the airport (10 min) and the city centre (5 min)
Comments	Renovated ground floor and reception, coffee bar and shared meeting rooms, open space layout; a mix of private and public (governmental organizations) tenants in the building.



Appendix

Amsterdam site visit: Exemplary office space #3 – Amsterdam Arena

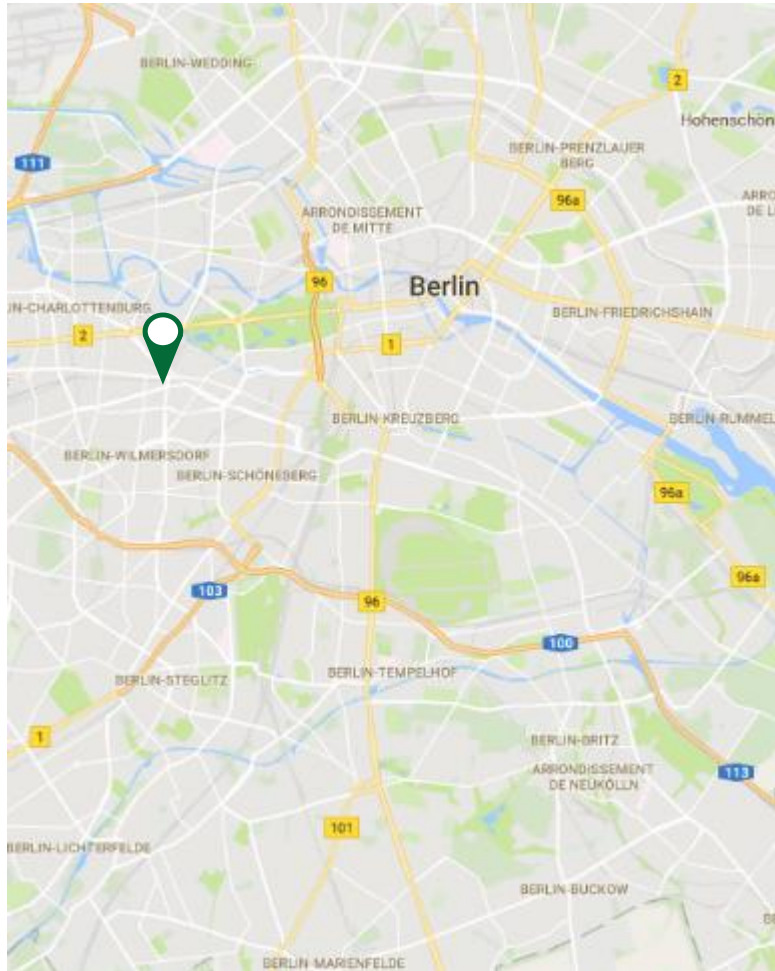


	De Entrée 230-260
Available space	267 sqm
Total annual occupancy cost	CHF 48 000
Accessibility	Train station within walking distance with direct connection to the airport (15 min)
Comments	Ground floor/reception under renovation (new landlord), small cafeteria on-site and large shopping centre nearby, open space layout.



Appendix

Berlin site visit: Exemplary office space #1 – Ku'Damm

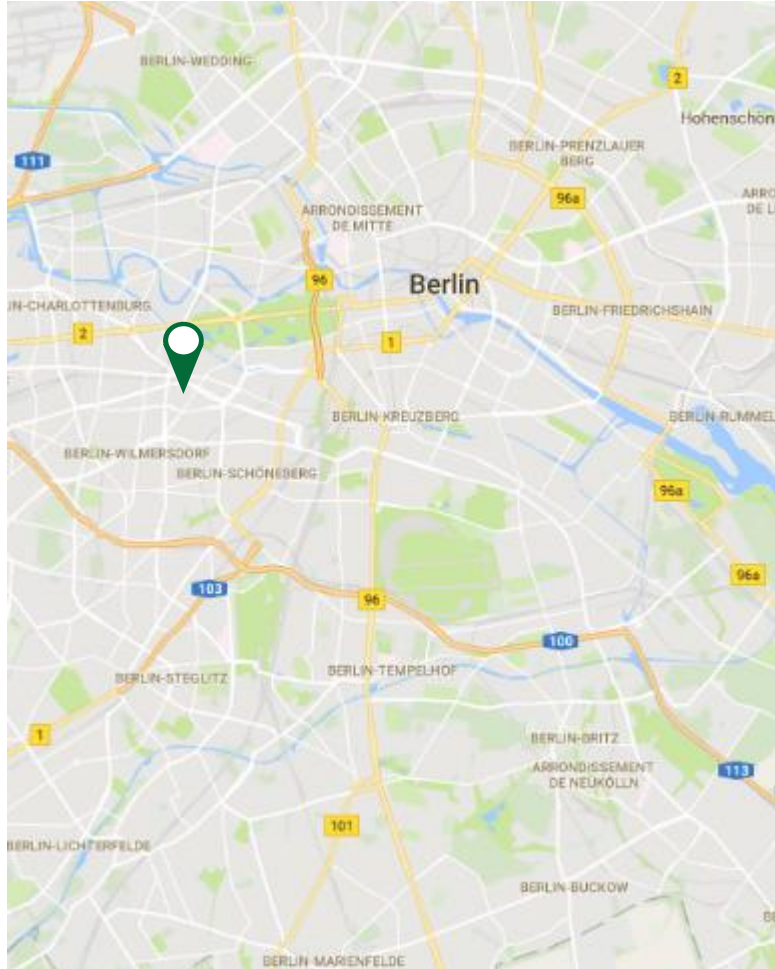


Kurfurstendamm 19 - 24	
Available space	191 sqm
Total annual occupancy cost	CHF 56 000
Accessibility	Easily accessible by S-bahn, U-bahn and train. 20 min by car to Berlin Tegel airport.
Comments	Prime location (BNP Paribas, Cisco, Hitachi, Deloitte), kitchenette, storage room, private offices/rooms.



Appendix

Berlin site visit: Exemplary office space #2 – Ku'Damm

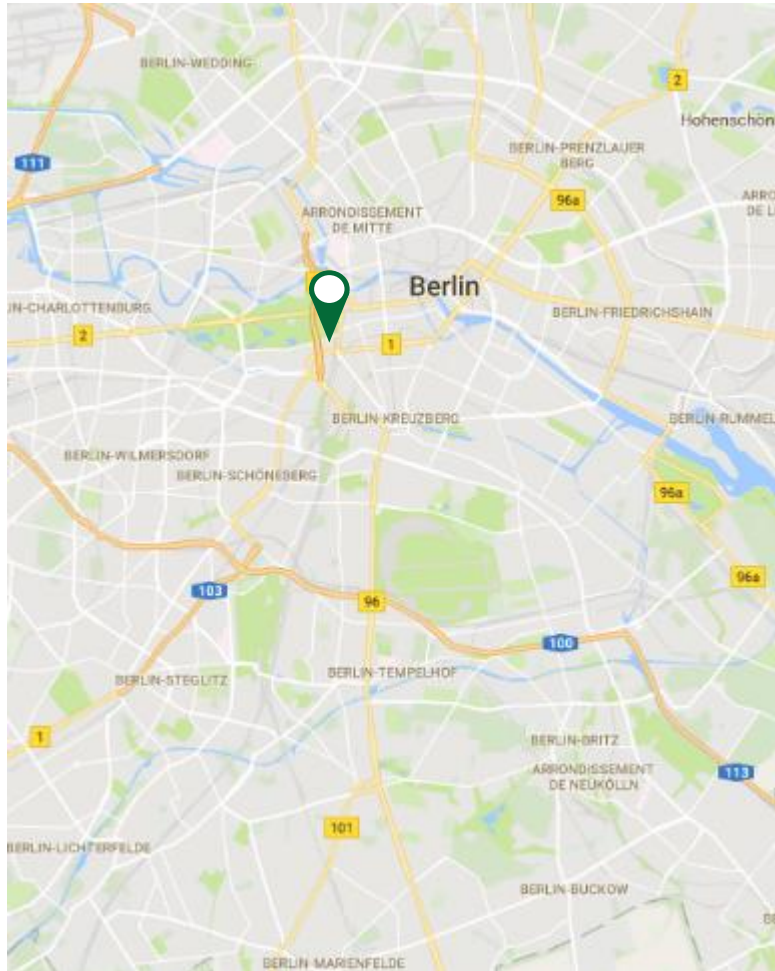


Marburger staße 17	
Available space	158 sqm
Total annual occupancy cost	CHF 44 000
Accessibility	Easily accessible by S-bahn, U-bahn and train. 25 min by car to Berlin Tegel airport.
Comments	Ground floor in a backyard building, previous tenant – investment fund, kitchenette, private offices/rooms, older look.



Appendix

Berlin site visit: Exemplary office space #3 – Potsdamer Platz

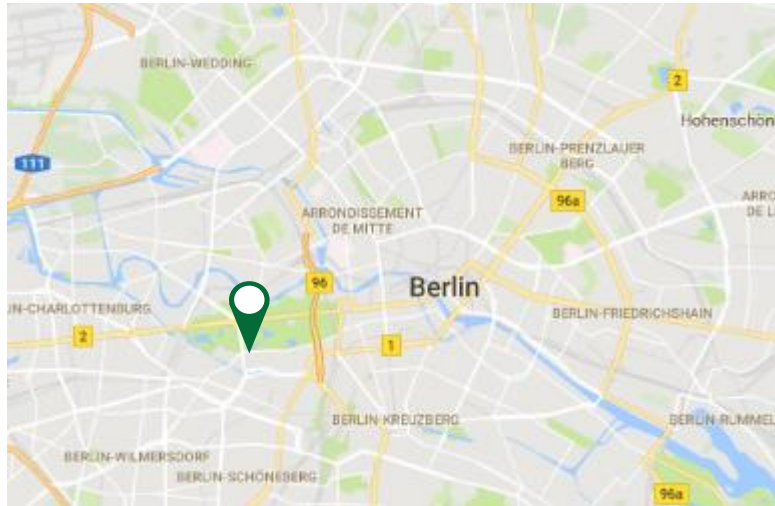


Berliner Freiheit 2	
Available space	177 sqm
Total annual occupancy cost	CHF 57 000
Accessibility	Close to the Potsdamer Platz. Easily accessible by U-bahn. 20 min by car to Berlin Tegel airport.
Comments	Prime location (view of Potsdamer Platz), sub-lease from Integrata AG (provider of qualification and training services), fully furnished – ready to move in, kitchenette.

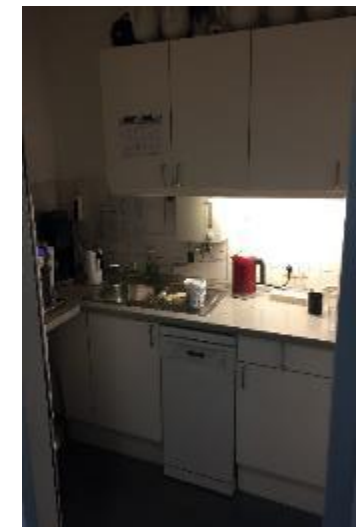


Appendix

Berlin site visit: Exemplary office space #4 – VBI (German Member Association)



Budapester Str. 31	
Available space	5 offices (5-7 people)
Total annual occupancy cost	CHF 20 000 (all inclusive) – below market average rents at prime locations
Accessibility	Proximity to Zoo Bahnhof (main transport junction)
Comments	Central location, good connectivity, fully furnished, proximity to hotels (InterContinental, Crowne Plaza, Holiday Inn), co-location with DIN – German Institute for Standardization, kitchenette.



Appendix

Geneva site visit: Exemplary office space #1 – Cite-centre

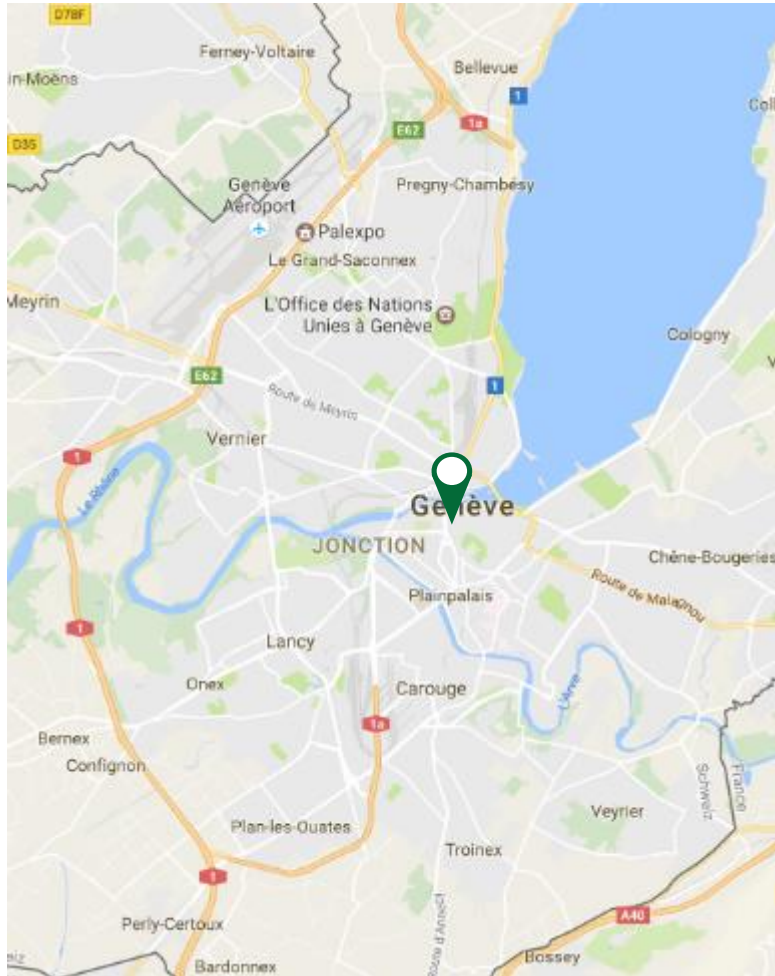


	Rue de l'Arquebuse 22
Available space	170 sqm
Total annual occupancy cost	80 000 CHF
Accessibility	Located in the city centre and easily accessible by tramway (3 stops from Geneva Cornavin train station).
Comments	Small terrace (4 th floor), kitchenette, private elevator, one of the tenants in the building - Altran.



Appendix

Geneva site visit: Exemplary office space #2 – Cite-centre



	Rue Jean Petitot 5
Available space	166 sqm
Total annual occupancy cost	98 000 CHF
Accessibility	Located in the city centre and easily accessible by tramway.
Comments	Sublet from International Bank of Luxembourg, several floors available with different configurations, modern look (ongoing renovation), possibility to keep furniture, private offices/rooms.



Appendix

Geneva site visit: Exemplary office space #3 – St. Gervais



	Boulevard James Fazy 6-8-10
Available space	156 sqm
Total annual occupancy cost	90 000 CHF
Accessibility	Located in 2 min away from Geneva Cornavin train station.
Comments	Former office of Cartier, private offices/rooms, ample storage space (built-in wardrobes), tenants – medical cabinets, located in the street corner (noise)





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