

SIX Swiss Exchange Ltd
SIX Exchange Regulation
Selnaustrasse 30
CH-8001 Zurich

Zurich, 28 July 2017

Consultation on the Directive on Alternative Performance Measures

Dear Mr Zemp, dear Mr Suter,

UBS welcomes the opportunity to participate in the consultation process on the Directive on Alternative Performance Measures initiated by SIX Exchange Regulation. As an issuer of securities in various jurisdictions of the world, including the US and the EU, we have noticed the growing interest, and concerns, of regulators and authorities for the use of financial measures that amend those defined by recognized accounting standards. We understand the concerns, and fully support the aim of promoting clarity and transparency in financial reporting.

We make regular use of Alternative Performance Measures in our financial reporting. In addition to reporting our results in accordance with IFRS, we report adjusted results that exclude items that management believes are not representative of the underlying performance of our businesses. The presentation of these measures is subject to regulations in various jurisdictions and our comments and suggested changes on the draft SIX Directive on Alternative Performance Measures are based on our experience in the implementation of those regulations and discussions with the relevant regulators or authorities.

Our suggested changes and our detailed comments are presented in the attachment. They are generally based on two key points, to which we would like to draw your attention here.

In our view, not every financial measure other than those defined or specified in the applicable recognized accounting standards should be considered an alternative performance measure. We suggest to instead focus on those measures which *adjust* a comparable measure required in the financial statements, with the effect of providing differing numerical information. Without this amendment, reporting would become more complex without any clear benefits for investors. In addition, when discussing their financial results issuers would be prevented from using any financial measure that is not reported in the financial statements or otherwise required by law or regulation. On this topic, please refer to our comments concerning draft art. 3 in the attachment.

Additionally, we think that the Directive on Alternative Performance Measures should apply to the documents and information that issuers are required to publish in order to maintain listing on SIX Swiss Exchange. This would provide for a clear basis for the new directive and strengthen the consistency with the other rules issuers are subject to. On this topic, please refer to our comments concerning draft art. 4 in the attachment.

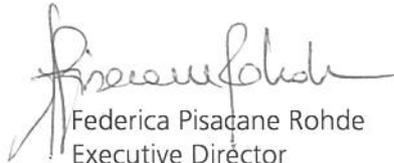
We thank you in advance for the consideration you will give to our comments and suggestions. If you would like to discuss them further, please do not hesitate to contact David Kelly (at david.kelly@ubs.com or +1 203 719-5427) or Federica Pisacane Rohde (at federica.pisacane-rohde@ubs.com or +41-44-234 20 71).

Best regards,

UBS Group AG



David Kelly
Managing Director
Head Transactions & Disclosure



Federica Pisacane Rohde
Executive Director
Corporate Legal

UBS suggested amendments to and comments on the preliminary draft of the SIX Exchange Regulation Directive "Alternative Performance Measures"

	Preliminary draft of the Directive "Alternative Performance Measures"	UBS suggested amendments	UBS comments
1. Purpose	The purpose of this directive is to promote clear and transparent use of alternative performance measures.	-	-
2. Scope	This directive applies to all issuers whose equity securities are listed on SIX Swiss Exchange Ltd ("SIX Swiss Exchange") and whose registered office is in Switzerland. Issuers whose registered office is not in Switzerland also fall within the scope of the directive if their equity securities are listed on SIX Swiss Exchange but not in their home country.	-	-
3. Definition	An alternative performance measure is a financial measure of historical or future financial performance, financial position or cash flows other than a financial measure defined or specified in the applicable recognised accounting standards. This definition specifically excludes: - physical measures (e.g. number of tonnes) or non-financial performance measures; - performance measures defined in other regulations applicable to issuers (e.g. solvency).	An alternative performance measure is a <u>financial numerical</u> measure of historical or future financial performance, financial position or cash flows <u>that: other than a financial measure defined or specified in the applicable recognized accounting standards:</u> <u>(i) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with the applicable recognized accounting standards in the statement of income, balance sheet or statement of cash flows (or equivalent statements); or</u> <u>(ii) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented.</u> This definition specifically excludes: - physical measures (e.g. number of tonnes) or <u>other</u> non-financial performance measures <u>(e.g. number of employees or number of clients);</u> - <u>financial</u> performance measures defined in <u>the applicable recognized accounting standard, or in other laws or regulations, including from self-regulatory authorities,</u> applicable to issuers (e.g. solvency, <u>capital adequacy</u>). <u>- ratios or statistical measures calculated using exclusively one or both of (i) financial measures</u>	The wording "financial measure of ... financial performance" is somewhat circular. We suggest to either only refer to "a measure" or to refer to "a numerical measure", i.e. quantitative information, given the connection established by these draft rules between alternative performance measures ("APM") and measures required by the applicable accounting standards and therefore available in the financial statements. Under the proposed definition, any measure of financial performance would be considered an "alternative performance measure" as long as not required to be presented in the financial statements (with limited exceptions); this, even if its calculation did not require any adjustment to a comparable financial statement measure and therefore it did not have the effect of providing a numerical information that is different from the comparable financial statement measure. For example cost/income metrics are not required by accounting standards such as IFRS, but are calculated by using figures either provided in the primary financial statements or directly calculated off them. The application of the new rules to financial measures not required by the applicable recognized accounting standard which,

		<p><u>calculated in accordance with the applicable recognized accounting standards; and (ii) other measures that are do not qualify as alternative performance measures.</u></p>	<p>however, do not have any "adjusting" effect to financial statement measures would result in more complex reporting without any clear benefits to investors, as no additional meaningful information could be provided by the issuer in addition to what is already available in the financial statements.</p> <p>Additionally, if (i) every measure of financial performance is considered an "alternative performance measure" as long as not required to be presented in the financial statements (and outside the limited exemptions contemplated) and (ii) art. 6 below mandates a reference to a comparable measure in the financial statements prepared according to the recognized accounting standard, in theory issuers would be prevented from discussing their financial results through the use of any financial measure that is not reported in the financial statements. By definition, such measures would not have a comparable measure in the financial statements and compliance with art. 6 would not be achievable.</p> <p>SIX Exchange Regulation recognizes that "APM provide helpful additional information for understanding a company's economic performance" and indicates that "The purpose of APM is to adjust the basis for projecting future company performance." Therefore, we propose to amend the definition of APM and to clarify that it covers only numerical data that are adjusted from the most comparable measure reported under the applicable accounting standard. In addition, the admitted exemptions should include financial measures that are not part of the financial statements, but are calculated on the basis of either measures reported in the financial statements, or measures that are not APM.</p>
<p>4. Applicability</p>	<p>This directive applies to information which is disclosed by issuers periodically or for a specific event and contains alternative performance measures, which are not included in financial statements prepared according to the applicable accounting standards.</p> <p>Information, which is disclosed periodically or for specific events, includes amongst others annual reports, management reports and press releases relating to financial reporting.</p> <p>This directive does not apply to:</p>	<p>This directive applies to information which is disclosed by issuers periodically or for a specific event <u>in compliance with the provisions of section III "Conditions for maintaining listing" of the Listing Rules</u> and contains alternative performance measures, which are not included in financial statements prepared according to the applicable accounting standards. <u>Information, which is disclosed periodically or for specific events, includes amongst others annual reports, management reports and press releases relating to financial reporting.</u></p>	<p>SIX Listing Rules require issuers to publish periodic financial reporting and to disclose potentially-price sensitive facts in order to maintain their securities listing. Only APM contained in these required disclosures should be subject to the new proposed rules.</p> <p>Once the scope of applicability of the rules is thus clarified, the exclusion of investor presentations and listing prospectuses would be consistent, as neither documents are required under listing rules nor are they generally used</p>

	- Prospectuses relating to the listing of securities; - Investor presentations.	This directive does not apply to: - Prospectuses relating to the listing of securities; - Investor presentations.	to satisfy ad hoc publicity requirements. The definition of APM would be available in art. 3. For reasons of clarity, we suggest not to partly repeat such definition in this provision and to remove the final part of the first paragraph ("which are not included in ...").
5. Label and explanation	Clear and comprehensible definitions must be disclosed for all alternative performance measures used. Alternative performance measures must be given a meaningful label. The label should reflect the content and basis of calculation. Misleading labels must be avoided. Whether a label (e.g. non-recurring expense) is misleading is determined by the specific circumstances.	Clear and comprehensible definitions must be disclosed for all alternative performance measures used. Alternative performance measures must be given a meaningful label. The label should reflect the content and basis of calculation. Misleading labels must be avoided. Whether a label (e.g. non-recurring expense) is misleading is determined by the specific circumstances. <u>If not already provided through the label or the reference required by art. 6 below, clear and comprehensible definitions must be disclosed for all alternative performance measures used.</u>	The label of an APM may be self-explanatory or the definition may be implicitly provided by the reconciliation statement referred to in art. 6. In these cases, issuers should be allowed to avoid unnecessary duplications, contributing to more informative reporting for investors.
6. Reference to measures derived from accounting standards	For alternative performance measures, reference must be made to a comparable measure in the financial statements prepared according to the recognised accounting standard. This reference can be made, for example, in the form of a reconciliation statement.	For alternative performance measures, reference must be made to a the comparable measure in the financial statements prepared according to the recognised accounting standard. This reference can be made, for example, in the form of a reconciliation statement.	See comments on art. 3 above.
7. Presentation	Alternative performance measures must not be presented with more prominence than measures defined by recognised accounting standards. Companies must ensure there is a balance between performance measures defined or specified under applicable accounting standards and alternative performance measures used.	Alternative performance measures must not be presented with more prominence than <u>the comparable</u> measures defined by recognised accounting standards. Companies must ensure there is a balance between performance measures defined or specified under applicable accounting standards and alternative performance measures used.	See comments on art. 3 above.
8. Comparatives	Comparative information for the corresponding previous periods must be disclosed for all alternative performance measures used.	<u>Where alternative performance measures are disclosed, issuers should provide Comparative prior period information for the corresponding same previous periods presented for the comparable measures defined by recognized accounting standards must be disclosed for all alternative performance measures used.</u> <u>If comparatives cannot be provided, an explanation must be given as to why it is not possible ("comply or explain").</u>	The proposed wording does not indicate what the required comparison periods are. We think they should be the same as those required to be presented for the comparable financial statement measure. In case comparative periods cannot be provided to the same extent as they are provided for the comparable financial statement measure, we suggest to give issuers the possibility to comply with the rules by explaining the relevant reasons.
9. Consistency	The definition and calculation basis of an alternative performance measure must be used consistently over time.	The definition and calculation basis of an alternative performance measure must <u>should</u> be used consistently over time.	The amendments intend to clarify that the first paragraph expresses a principle, which is subject to an exception at the conditions expressed in

	<p>If the company deviates from the principle of consistency, it must disclose this fact and describe the type of change made to the alternative performance measure.</p> <p>Comparatives must be adjusted accordingly, or an explanation must be given as to why the comparatives were not adjusted ("comply or explain").</p>	<p>If the company <u>decides to change the definition and/or the calculation basis deviates from the principle of consistency</u>, it must disclose this fact and describe the type of change made to the alternative performance measure.</p> <p>Comparatives must be adjusted accordingly, or an explanation must be given as to why the comparatives were not adjusted ("comply or explain").</p>	<p>the second paragraph. We also suggest a clarification of the scope of application of the second paragraph.</p>
10. Use of cross-references	<p>Alternatively, the information required by this directive can be provided by cross-referencing (e.g. footnote, web link) other documents, such as an appendix to the annual report or a central document on a webpage. These documents must be publicly accessible at the time the alternative performance measure is disclosed.</p>	-	-