



To the representatives of listed companies as well  
as other interested parties

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## **Consultation on the Directive on Alternative Performance Measures**

Dear Sir/Madam

Alternative performance measures<sup>1</sup> (APM) have established themselves as a tool for communicating the business performance of public companies. APM are additional, entity-specific performance metrics which supplement the standardised financial measures defined by the applicable accounting standards (IFRS, US GAAP or Swiss GAAP FER). Most APM are based on performance measures defined by the respective accounting standards that have been adjusted to reflect items of profit which are non-operating, non-recurring or do not affect cash flows. The purpose of APM is to adjust the basis for projecting future company performance. In practice, these measures are frequently described as "adjusted", "normalised", "underlying", "core" or "earnings before..." and are mainly used outside the annual financial statements or in segment reporting.

APM provide helpful additional information for understanding a company's economic performance. However, the increasing use and diversity of APM also create risks, for example if APM are defined in different ways. The prime objective of APM is to show company-specific performance, not provide comparability. It happens, however, that APM labelled identically (e.g. normalised profit) are composed/derived differently, which has the potential to mislead investors.

As a result, the Issuers Committee of the Regulatory Board of SIX Swiss Exchange has decided to develop a directive on the use of APM. The purpose of this directive is to promote clarity and transparency in the disclosure of APM. To this end, the directive establishes the following principles:

- APM should be defined clearly and comprehensibly and have a meaningful label;
- APM should reference comparable measures defined by the accounting standards;
- APM should not be presented with more prominence than measures defined by the accounting standards;
- Comparative information should be disclosed;
- APM should be applied consistently.

Information can also be provided by cross-referencing other documents.

The directive is geared to the corresponding guidelines of the European Securities and Markets Authority (ESMA) and the International Organization of Securities Commissions (IOSCO), but contains certain simplifications (see Enclosure 2). For example, it does not require to describe a reason for the use of APM. Also, the reference to be made between APM and their comparable measures according to the account-

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<sup>1</sup> Also known as "non-GAAP financial measures" (NGFM)



ing standards has not necessarily to be disclosed in the form of a reconciliation statement. If APM are not used consistently, a company may, instead of retrospectively adjusting the prior-year figures, explain why it has not made an adjustment ("comply or explain").

The 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.

The extent to which an issuer is affected by these regulations depends directly on the range and complexity of the APM used. The proposed regulation does not impose any additional work on issuers who do not disclose any APM.

Enclosure 1 contains the preliminary draft of the directive "Alternative Performance Measures" (PD-DAPM). In addition, Enclosure 2 provides you with an overview in the form of a comparison of the various guidelines on alternative performance measures (PD-DAPM vs. ESMA and IOSCO guidelines).

We invite you to respond to the proposed guidelines on APM and e-mail your comments to us by **Monday, 31 July 2017** ([FR\\_Vernehmlassung@six-swiss-exchange.com](mailto:FR_Vernehmlassung@six-swiss-exchange.com)). Thank you in advance for your cooperation. SIX Exchange Regulation will publish the responses to the consultation on its website (<https://www.six-exchange-regulation.com/en/home/publications/explorer/consultations.html>).

Please do not hesitate to contact us if you have any further questions.

Yours sincerely

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Enclosures:

1. Preliminary draft of the Directive "Alternative Performance Measures"
2. Comparison of guidelines on Alternative Performance Measures

Web links:

- ESMA Guidelines on Alternative Performance Measures (APMs):  
<https://www.esma.europa.eu/sites/default/files/library/2015/10/2015-esma-1415en.pdf>
- IOSCO Statement Non-GAAP Financial Measures (NGFMs):  
<https://www.iosco.org/library/pubdocs/pdf/IOSCOPD532.pdf>