

ADMISSION BOARD COMMUNIQUÉ NO. 6/2006 OF 25 SEPTEMBER 2006

Main focus for the review of the annual reports for 2006 and 2006/2007 in terms of compliance with the Directive on Information relating to Corporate Governance

I. BACKGROUND

Periodic reporting in accordance with the provisions of the Directive on Information relating to Corporate Governance (Art. 64 Listing Rules [LR] and the Directive on Information relating to Corporate Governance [DCG]) is an integral part of the information that contributes to transparency of trading pursuant to the requirements of the Stock Exchange Act (Arts. 5 and 8 para. 2 SESTA).

II. MAIN FOCUS

As far as information relating to corporate governance is concerned, the following points will be given particular attention in connection with the evaluation of annual reports for 2006 and 2006/2007:

– **Clarity and importance (ref. no. 5 DCG)**

All information provided in the corporate governance chapter (CG chapter) must be clear and, even more importantly, meaningful. Meaningless statements must be avoided. Nor are the requirements of the DCG met by references to legal forms that are not in accordance with the facts. The principle of “substance over form” applies.

– **Members list, tasks and area of responsibility for each committee of the board of directors (Point 3.5.2 DCG)**

Each existing committee must be indicated. The tasks and area of responsibility of each committee must be disclosed. It must be clear to investors to what extent tasks and areas of responsibility are delegated to a committee by the board of directors as a whole. In particular, it should be specified whether a given committee has decision-making powers in connection with its tasks or merely carries out preparatory work for the board of directors as a whole or another governing body.

– **Work methods of the board of directors and its committees (Point 3.5.3 DCG)**

The work methods of the board of directors as a whole and the committees of the board of directors must be disclosed separately for each one of these corporate bodies. The work methods that have to be disclosed include the frequency of meetings, the usual length of the meetings and the number of meetings held in the year under review. They also include whether and how often the board of directors as a whole or individual committees of the board of directors bring in members of the senior management or external consultants.

– **Definition of areas of responsibility (Point 3.6 DCG)**

It must be disclosed in broad terms whether the board of directors delegates its powers to the senior management and, if so, to what extent. It is not sufficient merely to indicate the duties of the board of directors or list the tasks that are non-transferable and irrevocable. Referring to the articles of incorporation or the rules of organisation is permissible only if these documents are easily accessible to investors (e.g. via a website).

– **Information and control instruments vis-à-vis the senior management (Point 3.7 DCG)**

The *instruments* used by the board of directors to assess how the senior management exercises the authority delegated to it by the board of directors must be disclosed in general and comprehensible terms. For examples, see the [commentary on DCG](#), Point 3.7 N. 2.

– **Content and method of determining the compensation and the shareholding programmes (Point 5.1 DCG)**

The basics and elements of the compensations and shareholding programmes must be described. For examples, see the [commentary on DCG](#), Point 5.1 N. 2. The basic method of determining compensations must be described. It must be disclosed whether the governing bodies that are involved have decision-making authority or merely participate in the capacity of consulting bodies. If external remuneration consultants are brought in, this must be disclosed as well. If the content and method of determining compensations for executive members of the board of directors and/or the senior management differs from the content and method of determining compensations for non-executive members of these corporate bodies, each category must be disclosed separately.

– **Informational instruments pertaining to the external audit (Point 8.4 DCG)**

Those *instruments* must be indicated and described which the board of directors uses to gain information on the activity of the external auditors. It is not sufficient merely to mention that the board of directors supervises the external auditors. For examples, see the [commentary on DCG](#), Point 8.4 N. 2.

III. CONCLUDING REMARKS

Through resolute enforcement of the provisions of the DCG, the Admission Board intends to improve the transparency of periodic reporting, especially that relating to corporate governance. It regularly adapts its controls to accommodate new developments.

IV. MORE INFORMATION RELATING TO CORPORATE GOVERNANCE

The provisions governing information relating to the corporate governance of companies listed on the SWX Swiss Exchange are available at the following URL:
http://www.swx.com/admission/being_public/governance_en.html

Previously published sanctions imposed for irregularities in the area of corporate governance are available at:
http://www.swx.com/admission/being_public/sanctions/ip_corporate_en.html

Admission Board Communiqués are available in English, German and French at
http://www.swx.com/admission/regulation/messages/2006_en.html

