

Regulatory Board Communiqué No. 6/2018

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New Directive on the Use of Alternative Performance Measures (DAPM)

I Background

Alternative performance measures¹ (APM) have established themselves as a tool for communicating the business performance of capital market-oriented companies. APM provide additional information that is helpful in understanding a company's economic performance. As the use of APM becomes more widespread, and their variety increases, the limited comparability of such metrics nonetheless holds the risk that investors may be misled.

In response to these developments, the Issuers Committee of the Regulatory Board has decided to issue a regulation setting out principles for the use of APM, and requiring the related disclosures to be clear and transparent. The extent to which an issuer is affected by this regulation depends on the range and complexity of the APM they use.

II Directive on the Use of Alternative Performance Measures

The [DAPM](#) applies to all issuers whose equity securities are listed on SIX Swiss Exchange Ltd and whose registered offices are 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 Ltd but not in their home country.

The directive defines APM in accordance with internationally recognised guidelines, and provides specific examples for additional clarity. It also lists performance measures which do not fall within its scope. The directive applies to information which is published on a periodic or event-related basis in connection with the maintenance of listing, and which contains APM. This includes annual reports, management commentary and press releases, for example. The directive explicitly excludes investor presentations from its scope, as these are generally not required to maintain listing.

The directive sets out the principle that clear and comprehensible definitions must be disclosed for all of the APM that are used, and that they must have meaningful labels. A reconciliation statement must also be published for certain APM. This must explain significant reconciliation items in relation to a comparable measure defined by the accounting standards. Furthermore, care must be taken that APM are not presented with more prominence than measures under the applicable accounting standard. In addition, for certain APM there must be a balance between those APM and measures under the applicable accounting standards. Comparative information must be disclosed, and the APM must also be applied and calculated consistently from year to year. If an entity does not apply this principle, it must make a corresponding disclosure and adjust its comparative information, or explain why it has not done so, in accordance with the "comply or explain" approach. The information that is required may also be provided in the form of a reference to other, publicly available documents.

¹ Also known as "non-GAAP financial measures" (NGFM).

III Entry into force

The new [DAPM](#) is applicable for the first time to annual statements for financial years beginning on or after 1 January 2019.

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