



Exchange Regulation

**COMMUNIQUÉ NO. 8/2010
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Main points of focus for the review of annual reports for 2010 and 2010/2011 with regard to compliance with the Directive on Information relating to Corporate Governance

I. BACKGROUND

Periodic reporting in conformity with the requirements of the Directive on Information relating to Corporate Governance (Directive Corporate Governance (DCG)) is an integral part of the information that should enable investors to assess the quality of an issuer pursuant to the Stock Exchange Act (Art. 8 para. 2 SESTA).

II. AREAS OF FOCUS

As far as corporate governance reporting is concerned, particular attention will be paid to the following points in the evaluation of annual reports for 2010 and 2010/2011:

A. Content and method of determining compensation and shareholding programmes (point 5.1 Annex DCG)

The principles and elements of compensation and of shareholding programmes (architecture and determining mechanisms, as well as details of the shareholding programme and how it works) must be explained to investors in terms that are as comprehensible as possible. Examples are provided in point 5.1 of the Commentary on the DCG. The key points of the process used to determine compensation and participation in the shareholding programme must be described. Whether the bodies involved have only an advisory function, or hold actual decision-making powers, must be stated. Any involvement of external consultants must also be disclosed clearly.

In addition to the process itself, the elements (objectives and components) that are factored in to compensation, as well as their weightings, must be stated for market participants in comprehensible terms. Other rules applying to the content and/or determination process for individual members of the board of directors or executive committee must be disclosed separately.

If compensation or the pay systems of other companies are used for comparison, the composition of this peer group, or the companies concerned, must be described in such a way that permits the investor to gain a clear picture of the other firms with which the issuer is comparing itself. Naming the companies that are used for comparison is only one of several

means of ensuring sufficient disclosure. Where a benchmark exists, its component elements must be described.

If all or part of the compensation paid to the members of the board of directors and/or the executive committee is at the discretion of the board of directors, this must also be stated explicitly.

B. Further notes

We should like to remind you that the lower threshold for the disclosure in the corporate governance report of persons or groups with significant shareholdings is governed by Art. 20 SESTA (point 1.2 Annex Directive Corporate Governance). This threshold therefore stands at three percent of voting rights, calculated as at the balance sheet date (Art. 8 Directive Corporate Governance). The corporate governance report must also mention the reports that were made to the issuer and the SIX Swiss Exchange Ltd Disclosure Office, and published on the latter's electronic publication platform, during the financial year in question in accordance with Art. 20 SESTA. The issuer is free to choose whether, instead of giving a list of notifications in the corporate governance report, it wishes to make a brief statement and include a link to the search facility on the Disclosure Office's publication platform.

We would also point out that references in the corporate governance report to other passages in the annual report must be precise, e.g. state the page number. Any other sources of information that are referred to must be easily accessible, i.e. rapidly and free of charge. Where reference is made to a company website, the direct link or path must be given. Where reference is made to a source of information other than the website, the report must state where this information may be obtained, e.g. a telephone number. One possibility might be to provide documents by fax or e-mail (cf. decision of the Committee of the Admission Board of 23 November 2006 [ZUL/CG//06], points 17 f.; decision of the Sanction Commission of 11 June 2010 [SaKo 2010-CG-1/10], points 7.1 ff.).

III. CONCLUDING REMARKS

By rigorously enforcing the provisions of the DCG, SIX Exchange Regulation aims to improve the transparency of corporate governance. It regularly adapts its checks to accommodate new developments. Annual reports are examined by means of random sampling. Each issuer whose annual report statements on corporate governance are examined will receive at least a comment letter notifying them of the outcome of the review.

IV. FURTHER INFORMATION ON CORPORATE GOVERNANCE

The provisions governing information relating to the corporate governance of companies listed on SIX Swiss Exchange AG are available at the following URL:

http://www.six-exchange-regulation.com/obligations/governance_en.html

Previously published sanctions imposed for irregularities in corporate governance may be viewed at:

http://www.six-exchange-regulation.com/enforcement/sanction_decisions/corporate_governance_en.html

The SIX Exchange Regulation Communiqués are published in English, German and French on the internet at:

http://www.six-exchange-regulation.com/publications/communiques/six_exchange_regulation_en.html

http://www.six-exchange-regulation.com/publications/communiques/six_exchange_regulation_de.html

http://www.six-exchange-regulation.com/publications/communiques/six_exchange_regulation_fr.html

