

## Communiqué No. 4/2019

of 22 October 2019

### ***Observations from the review of 2018 annual reports on information relating to corporate governance***

The Directive on Information relating to Corporate Governance (DCG) requires issuers to make key information on corporate governance available to investors and other interested persons in a suitable form. This information is to be published every year in the annual report.

As part of enforcement activities, SIX Exchange Regulation AG regularly checks the annual reports of issuers to ensure compliance with the DCG and the associated Guideline DCG. In reviewing the 2018 annual reports, observations were made in the following areas in particular: (1) references and accessibility, (2) changes to the Board of Directors and the Executive Committee as at the reporting date, and (3) benchmarks and salary comparisons. The persons responsible for reporting on corporate governance are invited to note the following comments when preparing future reports.

#### ***A. Place of publication (Art. 6 DCG)***

The information relating corporate governance must be published in a separate section of the annual report (so-called CG report). The CG report (incl. remuneration report) may refer to other parts of the annual report or other easily accessible sources of information. In this case the exact location must be provided by e.g. page or margin number. If reference is made to a website, a precise weblink or search path must be provided. When referring to websites, care must be taken to ensure that both dynamic and static, date-specific data as well as the entire annual report are accessible for at least five years after publication (duration of electronic publication for annual and interim financial statements in accordance with Art. 13 para. 1 Directive on Financial Reporting (DFR)). In particular, in the event of changes to the website, it must be ensured that all references continue to function properly.

#### ***B. Members of the Board of Directors and the Executive Committee (Point 3.1 and Point 4.1 Annex DCG)***

For each member of the Board of Directors and the Executive Committee, information concerning i.a. the name, nationality, education and professional background must be provided. Under Art. 8 DCG, the conditions on the balance sheet date constitute the deciding factor. It should be noted that

- important factors which had an impact during the year under review but are no longer relevant as of the reporting date must be mentioned in the CG report. This applies in particular to former members of the Board of Directors or the Executive Committee who belonged to the respective body during the reporting year, but were no longer serving members on the balance sheet date.
- significant changes that occurred between the reporting date and the annual report's copy deadline must be added in an appropriate form. Reference must always be made to personnel changes on the Board of Directors and the Executive Committee between the reporting date and the annual report's copy deadline.

As such, the issuer must expressly refer to the fact that the composition of the Board of Directors and/or the Executive Committee has changed. Departures must be mentioned, including the relevant dates. Details on the persons must also be made available either in the CG report itself, through a specific reference to previous reports (weblink or search path) or through a weblink to the issuer's website (e.g. in an archive).

***C. Content and method of determining the compensation and the shareholding programmes (Point 5.1 Annex DCG)***

The responsibilities, criteria and procedure for determining compensation and shareholding programmes of current and former members of the Board of Directors and the Executive Committee must be set out in a comprehensible manner. The principles and elements (architecture and mechanism of the procedure as well as details, main features and functioning of the shareholding programme) for the content of compensation and shareholding programmes must be explained in a comprehensible manner for investors.

- If benchmarks are used in determining compensation, the report must give a brief explanation of the content or composition of such benchmarks (e.g. changes in the company's share price in relation to an index or in relation to competing companies, etc.). If compensation of other companies is used for comparative purposes (salary comparisons), these peers should be named or at least described in more detail (e.g. by providing more precise details on the sector, size, economic significance and operating territories of other companies).
- Terms such as "international companies", "companies of the same size" or "similar industry companies" are inadequate and must therefore be described in concrete terms. Also phrases such as "in line with market practice" or "basic salary in line with the market" are too general and prevent investors from forming a clear picture of the criteria for determining compensation.

Further [information on corporate governance](#) plus the relevant regulations, guidelines, notices and sanctions is available on the [SIX Exchange Regulation AG website](#).