

2023

→ Swiss Code of Best Practice for Corporate Governance

English version



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Preface

Future-oriented corporate governance is in the intrinsic, ongoing interest of every company. It is an essential prerequisite for corporate success and the creation of sustainable added value. The Swiss Code of Best Practice for Corporate Governance is a prime example of self-regulation in Switzerland. Since its introduction in 2002, it has become established as an important set of guidelines for responsible enterprise in Switzerland.

The Swiss Code provides companies with valuable recommendations on how to structure sustainable corporate governance. It provides information that surpasses the legal requirements while ensuring that companies retain their organisational flexibility. Following its last revision, key political and social developments have been incorporated into the new version. For instance, the revision of company law was completed and the counter-proposal to the Responsible Business Initiative entered into force setting out new reporting and due diligence obligations.

Debates about sustainability have also been intensifying for several years due to climate change, the pandemic and other social issues. The business community has always been constructively involved in the dialogue surrounding corporate governance. We believe it is crucial for us all to have a comprehensive understanding of sustainability. In a liberal and sustainable market economy, we must always take a holistic approach to our economic, social and environmental objectives. Focusing on just one aspect will not bring about the sustainable progress that we want to see.

The importance of all these developments is reflected in the revised version of the Swiss Code. Key additions relate to the role of compliance, corporate culture, the regulation of conflicts of interest and greater specificity with regard to the composition and diversity of boards of directors. The “comply or explain” approach has proven successful since the last revision and has therefore been retained. This means that companies are still free to implement their own structuring ideas. However, they must provide an explanation to investors if the company’s corporate governance deviates from the recommendations of the Swiss Code.

The new version lays the foundation for the Swiss Code to remain an important advantage in Switzerland’s favour in the years to come.



Christoph Mäder
Chairman of the Board

A handwritten signature in black ink, appearing to read 'Mäder'.



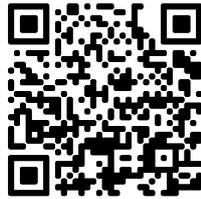
Monika Rühl
Chairwoman
of the Executive Board

A handwritten signature in black ink, appearing to read 'Monika Rühl'.

Supporting organisations

Numerous organisations support the Swiss Code of Best Practice for Corporate Governance (hereinafter the “Swiss Code”): An up-to-date list of the supporting organisations can be found online:

Supporting organisations of the Swiss Code



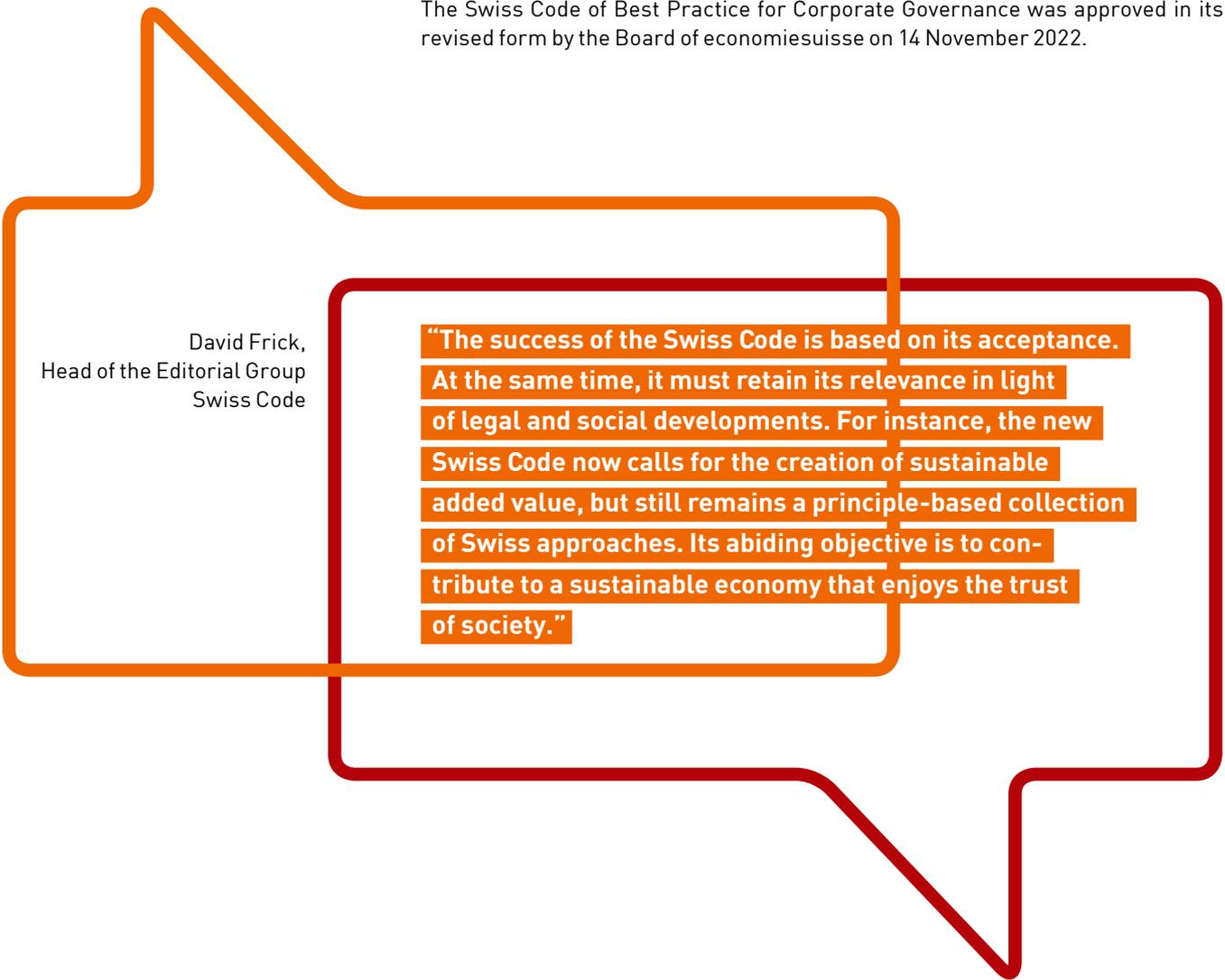
Other organisations are also free to submit a declaration of support. They will be added to the list of supporting organisations online. All of the supporting organisations will be involved in the further development of the Swiss Code.

Members of the working group that drafted the texts

Prof. Dr Andreas Bohrer, Lonza Group AG
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The members of economiesuisse and its Legal Commission, the supporting organisations and other interested parties have commented on the drafts.

The Swiss Code of Best Practice for Corporate Governance was approved in its revised form by the Board of economiesuisse on 14 November 2022.



Swiss Code of Best Practice for Corporate Governance

Preamble

The Swiss Code was published by *economiesuisse* as the Swiss Business Federation from all sectors of the economy in July 2002 and supplemented with an appendix containing recommendations on the remuneration of boards of directors and executive boards in 2007. In 2014, the Swiss Code was revised on the basis of the then new Art. 95 (3) Federal Constitution (known as the “Minder Initiative”). The 2022 revised version takes account, firstly, of the international developments in corporate governance and, secondly, of the changes that have arisen at the Swiss level in particular, due to the revision of the company law dated 19 June 2020 and as a result of the developments in sustainability (particularly environment, social and governance, or ESG for short).

The Swiss Code has become an important reference work for matters of corporate governance and is geared towards the situation in Switzerland, taking account of international developments. Although the Swiss Code is primarily aimed at Swiss public limited companies, unlisted companies and organisations (including those that are not joint stock companies) can also draw appropriate guiding principles from it.

The best practices that the Swiss Code sets out are guidelines and recommendations. Every company is free to apply other priorities and pursue its own ideas in addition to the Swiss Code – and, where necessary, in deviation from it. If a company deviates from the Swiss Code in this context, then it should explain the individual arrangement it has chosen in accordance with the principle of “comply or explain”.

Corporate governance as a guiding principle

Corporate governance encompasses all of the principles aimed at safeguarding the sustainable interest of the company. While maintaining decision-making capability and efficiency at the highest level of a company, these principles are intended to guarantee transparency and a healthy balance of management and supervision. Business activities are sustainable when the interests of different stakeholders in the company are taken into account and economic, social and environmental goals are pursued holistically.

Good corporate governance therefore serves the goal of the sustainable interest of the company. It is an essential prerequisite for corporate success and sustainable growth of company value. Sustainable growth of company value is not just in the interests of shareholders as the beneficial owners and/or risk capital providers of the company, but also in the interests of other stakeholders.

Shareholders and the general shareholders' meeting

1

Shareholders have the final say within the company.

- The powers of the shareholders are defined by law and the articles of association. In particular, the shareholders are entitled to make decisions regarding:
 - the determination and amendment of the articles of association;
 - the election and discharge of members of the board of directors, including the chairperson of the board of directors and the members of the compensation committee and the election of the auditor and of the independent voting proxy;
 - the approval of the annual and consolidated financial statements, the management report and the reporting on non-financial matters;
 - the policy on distributions and shareholders' equity (including dividends, interim dividends, capital increases, the creation of a capital band, capital reductions or the repayment of capital reserves);
 - the approval of the total amounts of compensation paid to the board of directors and the group executive board;
 - the decision on mergers, demergers, conversion, delisting and liquidation.In the articles of association, the shareholders determine the purpose of the company and the key parameters of business activities. Where appropriate, they may also comment on issues regarding sustainable corporate development, including social and sociopolitical matters (such as CO₂ or other environmental goals, respecting human rights, etc.). The inalienable powers of the board of directors remain reserved.
- Shareholders exercise their rights of participation at the general shareholders' meeting and have the right – taking account of the legal requirements – to make motions regarding items on the agenda. The board of directors should include the motions, together with a brief justification, in the notice convening the general shareholders' meeting. In accordance with the law, shareholders may also request information on company matters not included on the agenda or request a special audit.
- Institutional investors, nominees and other intermediaries exercising shareholders' rights in their own name should ensure, as far as possible, that beneficial owners may exercise their influence as to how such shareholders' rights are brought to bear.
- Institutional investors, nominees and other intermediaries, including proxy advisors, should act transparently towards the company and take account of the guidelines for institutional investors on exercising their participation rights in joint stock companies.¹
- If registered shares are acquired through custodian banks, the latter should invite the party acquiring the shares to apply for registration in the company's register of shareholders.

¹ Eds. ASIP, Swiss Pension Fund Association, Swiss Federal Social Security Funds AHV/IV/EO, economiesuisse, Ethos – Swiss Foundation for Sustainable Development, Swiss Bankers Association and SwissHoldings, January 2013.

2

The company should endeavour to facilitate the exercise of shareholders' statutory rights.

- To this end, the articles of association may lower the statutory threshold, specifically for convening a general shareholders' meeting or for including a justified motion or a request that items be included on the agenda in the invitation to the general shareholders' meeting.
- When determining the agenda items, the board of directors should observe the principle of unity of subject matter.
- The articles of association and at least the main features of the organisational regulations should be available in written or in electronic form. The company should publish the articles of association on its website.

3

The company should ensure that the general shareholders' meeting is used as a forum for communication and can fulfil its function as the highest corporate authority in a well-informed manner.

- The board of directors should inform the shareholders in such a way that they can exercise their rights in the knowledge of the essential basis of their decision-making.
- In the invitation to the general shareholders' meeting, the company should provide clear explanations about agenda items and motions put forward by the board of directors. The company may make additional information available to shareholders outside the invitation.
- The board of directors should determine the form in which the general shareholders' meeting is held. Specifically, in addition to being held as a purely in-person meeting, it can also be held as an in-person and simultaneously electronic meeting (hybrid meeting) or as a purely electronic meeting (virtual meeting) if this makes participation easier for shareholders and the orderly and safe conduct of the meeting is not jeopardised.
- Shareholders who take part in the general shareholders' meeting or exercise individual rights using electronic means are themselves responsible for ensuring the electronic means they use are in working order. Where applicable, they are also responsible for third-party participation authorised by them.

4

The company should facilitate the participation of shareholders in the general shareholders' meeting and the exercise of their rights by clearly setting dates and time limits well in advance.

- The company should give notice of the date of the annual general shareholders' meeting as early as possible.
- It should also announce the date by which requests for additions to the agenda and requests for the inclusion of motions in the notice convening the general meeting can be submitted. This date should not be set any further in advance of the general shareholders' meeting than necessary.
- If the company sets a deadline prior to the general shareholders' meeting in order to identify entitlement to exercise shareholders' rights, this deadline should generally be no more than a few days before the date of the meeting.

5

In the general shareholders' meeting, the board of directors should ensure that shareholders are able to make relevant and concise comments on the agenda items.

- The board of directors should ensure that the shareholders are able to express their will clearly.
- The chairperson should use their powers to ensure that the shareholders may exercise their rights. The chairperson should conduct the meeting in a balanced and purposeful way.
- The chairperson should ensure the meeting runs efficiently and make sure that those present do not ramble, repeat themselves or make any unnecessarily derogatory statements. When there are numerous requests to speak on the same agenda item, the chairperson may limit the time allotted to each speaker appropriately.

6

Arrangements should be made to ensure that shareholders' right to information is met.

- The chairperson should answer relevant questions concerning the company or have them answered by the chairpersons of the committees of the board of directors or by other knowledgeable people.
- Complex questions, questions requiring extensive answers or lists of questions should be submitted to the board of directors in writing in sufficient time to allow for responses to be prepared. Such questions or lists of questions can also be answered before or after the general shareholders' meeting.

7

The will of the majority should be expressed without distortion in the general shareholders' meeting.

- The chairperson should implement the voting procedures in such a way that the will of the majority can be determined as unambiguously and as efficiently as possible. Where reasonable, the board of directors should use tried and tested electronic means.
- The chairperson may arrange for a combined poll to be taken when voting on the discharge of members of boards, provided an individual vote has not been put on the agenda in advance or the general shareholders' meeting does not pass a resolution in favour of an individual vote on the basis of a corresponding motion.
- The board of directors should take appropriate measures to ensure that the independent proxy is able to carry out the function effectively. The proxy should treat the instructions received from individual shareholders confidentially until the general shareholders' meeting and may give the company general information on the instructions received no earlier than three working days before the general shareholders' meeting.
- The voting results should be made available to the shareholders as quickly as possible.

8

The board of directors should also maintain a dialogue with shareholders between the general shareholders' meetings.

- The board of directors should seek dialogue with shareholders on important matters and should be available to them for dialogue in order to incorporate their key concerns in its planning and decision-making. The company appoints the bodies responsible for shareholder relations.
- The board of directors should also ensure dialogue with other key stakeholders of the company and take account of the results arising from this.
- The board of directors should use the resources that it possesses to facilitate the provision of information to and decision-making by the shareholders in the run-up to the general shareholders' meeting. If a significant proportion of the votes do not support the board of directors' motion, the board of directors should start a dialogue with the shareholders and address their concerns.
- When providing information to shareholders and when maintaining contact with them, the board of directors should observe the applicable disclosure requirements and the statutory principle of equal treatment.

Board of directors and executive board

Duties of the board of directors

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The board of directors is responsible for the overall management and supervision in the group and should determine the sustainable interests of the company.

- The board of directors is responsible for the overall management and supervision of the group and should specify the sustainable interests of the company as part of its duties. In its decisions, in addition to the interests of shareholders, it should also take account of the interests of employees, business partners, customers, society and the environment. In doing so, it should follow any requirements set out in the articles of association.
- As part of overall management, the board of directors should determine the strategic goals, the general ways and means to achieve them and the persons responsible for conducting the company's business.
- In its planning, it should ensure the fundamental harmonisation of strategy, risks and finances.
- It should ensure an internal control system adapted to the company (Section 26 et seq.).
- The board of directors should define and implement the company's corporate governance. It should ensure a management system adapted to the company. The board of directors and executive board should always put the company's interests before any personal interests or the interests of third parties.

10

Swiss company law lays down the inalienable and non-transferable primary duties of the board of directors.

- The board of directors' primary duties are:
 1. the overall management of the company and issuing of the required directives;
 2. the determination of the company's organisational framework;
 3. the organisation of the accounting, financial control and financial planning systems as required for the management of the company;
 4. the appointment and dismissal of persons entrusted with managing and representing the company;
 5. the overall supervision of the persons entrusted with managing the company, in particular with regard to compliance with the law, articles of association, regulations and directives;
 6. the compilation of the annual report, preparation for the general shareholders' meeting and implementation of its resolutions;
 7. the submission of a request for a debt restructuring moratorium and notification of the court in the event that the company is overindebted;
 8. the preparation of a compensation report;
 9. the approval and signature of the report on non-financial matters.

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The board of directors should regulate the powers and responsibilities of the persons entrusted with the management of the company.

- The board of directors should ensure that management and supervision functions are allocated appropriately.
- If the board of directors assigns management and supervision functions to a delegate or to an executive board, it should issue organisational regulations with a clear definition of the scope of the powers conferred. As a rule, the board of directors should reserve the power to approve certain significant business transactions.
- It should ensure appropriate controls.

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The board of directors should shape the corporate culture.

- The board of directors should promote a culture that encourages people to act in an entrepreneurial way and that is characterised by integrity, long-term thinking and responsibility. It should be possible to address questions and sensitive issues openly.
- The board of directors should ensure that employees can report the suspected irregularities they have identified in the company to an independent internal or external body without expecting disadvantages. The reports should be investigated. The company should respond to any irregularities identified in an appropriate way.
- The board of directors should regularly hold itself accountable for the systematic implementation of a corporate culture committed to responsible corporate action.

Composition of the board of directors

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The board of directors should be composed of people who, in their interaction as a board, ensure optimum fulfilment of the duties.

- The board of directors should be small enough for efficient decision-making and large enough for its members to contribute skills, experience and knowledge from different sectors to the board. The size of the board of directors should be in line with the needs of the individual company.
- The board of directors should aim for suitable diversity in its members with regard to competences, experience, gender, age, background and origin. The members should have the necessary skills and qualities to ensure that the board of directors can competently fulfil its management and supervision duties, that a variety of perspectives are incorporated into its decision-making, and that independent formation of opinions and decision-making are ensured in the critical exchange of ideas with the executive board.
- The board of directors should strive to ensure that the statutory guidelines for balanced representation of the genders is achieved in the board of directors and the executive board. It should take measures to promote the less strongly represented gender in connection with its personnel and succession planning.
- The board of directors should include enough members who are familiar with Swiss conditions. If a significant part of a company's operations are abroad, the members of the board of directors should also include persons with appropriate international experience or foreign members.

14

The board of directors should plan for the succession of its members and ensure that they receive further training.

- The board of directors should plan the succession of its members and determine the criteria for selecting candidates. It should draw on a requirements profile that fits the company for the full board of directors.
- The board of directors should ensure that newly elected members receive an introduction appropriate to their duties as well as further training with respect to their responsibilities.

Independence and time commitment of the members of the board of directors

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The majority of the members of the board of directors are independent members. They are of particular importance in the committees.

- The independent members are deemed to be the non-executive members of the directors who:
 - have never been a member of the executive board or were a member more than three years ago;
 - have never served as lead auditor of external auditor² or who served as lead auditor more than two years ago; and
 - have no or comparatively minor business relations with the company.
- The board of directors may define further criteria of independence. Where there is cross-involvement in other boards of directors, the independence of the member in question should be examined separately on a case-by-case basis.
- The members of the board of directors should ensure that they are able to fulfil the responsibilities of their position even in periods when there are increased demands on their time. Each member of the board of directors should manage their time in such a way that they can carry out their mandate correctly and conscientiously.
- The articles of association should include provisions on the number of comparable roles for members of the board of directors, the executive board and the advisory council at other companies or institutions. In the event of accepting a new role, the person concerned should inform the competent body in advance. The board of directors should determine the process concerning consent for members of the executive board and determine the information to be provided in the case of members of the board of directors.
- The board of directors should regularly self-evaluate its own work and that of its committees and periodically consider an external evaluation. It should provide information on this in the annual report.

²

Also includes people who had a decision-making function in the relevant audit firm.

Method of working and chairperson of the board of directors and the executive board

16

The board of directors should determine the procedures appropriate to perform its function.

- The board of directors should hold regular meetings in accordance with the requirements of the company, but at least four times a year. Additionally, the chairperson should also ensure that meetings are convened and discussions are held at short notice whenever necessary.
- The board of directors may use electronic means for its meetings.
- The board of directors should review the regulations that it has issued at regular intervals and amend them as required.
- The board of directors may obtain independent advice from external experts on important business matters at the company's expense.

17

The chairperson is responsible for preparing and conducting meetings; one of the chairperson's core responsibilities is the provision of appropriate information.

- The chairperson is entrusted with running the board of directors in the company's interests. The chairperson should ensure that procedures relating to preparatory work, deliberation, passing resolutions and implementation of decisions are carried out properly and efficiently.
- The chairperson should liaise with the executive board to ensure that information is made available in good time on all aspects of the company that are important for fulfilling the board of directors' duties. The members of the board of directors should receive, generally prior to the meeting, well-presented, clearly organised and comprehensible documentation; if this is not possible, the chairperson should have the documentation made available for study with sufficient time prior to the meeting.
- As a rule, persons responsible for a particular business matter should be present at the meeting. Anyone who is indispensable for answering questions in greater depth should remain available.

18

The principle of maintaining a balance between management and supervision should also apply to top management.

- The board of directors should work to ensure that its chairperson and the chairperson of the executive board are two different people (dual leadership).
- If for company-specific reasons, e.g. because the combination of available people makes it appropriate, the board of directors decides that a single person should take both roles or the former chairperson of the executive board moves to the board of directors to take over the role of chairperson, then the board of directors should ensure appropriate controls. The board of directors should appoint an experienced, non-executive member ("lead independent director") to perform this task. This person shall be entitled to convene and hold meetings with the independent members of the board of directors independently when necessary.

Dealing with conflicts of interest and advance information

19

The board of directors and each member of the board of directors and executive board should ensure that conflicts of interest do not jeopardise the independent safeguarding of the company's interests.

- Each member of the board of directors and the executive board should arrange their personal and business affairs so as to avoid, as far as possible, conflicts of interest with the company. The member should neither conclude any investment or other transactions nor accept any benefits that may jeopardise their independent safeguarding of the company's interests.
- If a member of the board of directors or the executive board has personal interests that affect the interests of the company or has to safeguard such interests of third parties (proximity of interests), the member should inform the chairperson of the board concerned. The member should disclose all relevant circumstances so that the chairperson can assess the interests of the person concerned.
- If the member of the board of directors or the executive board has conflicting interests or if the member has to safeguard conflicting interests (conflict of interest), the board (or the member designated by it) should make a decision commensurate with the seriousness of the conflict of interests so that the independent safeguarding of the company's interests continues to be ensured. In particular, it should check whether the member of the board of directors or the executive board in question must not participate or whether a double resolution with and without the member of the board affected by the conflict is sufficient. It should consult the person concerned.
- In the event of the member not being permitted to participate, the board will decide whether the member – depending on the intensity of the conflict – only needs to not participate in passing the resolution or additionally also must not participate in the discussion. Instead of these measures or in addition to them, it can commission an independent third party to make a prior assessment of the transaction or submit this to the general shareholders' meeting for approval.
- In the case of an ongoing conflict of interest, the board of directors should decide whether the member concerned should be asked to resign or should no longer be nominated for re-election.
- Transactions between the company and members of the boards or between the company and shareholders controlling it or parties related to them should in all cases be carried out "at arm's length", must be in the interests of the company and must be disclosed to the board of directors. They should be concluded or approved without the participation of the parties concerned. If necessary, an independent assessment should be obtained.

20

The board of directors should regulate the principles governing ad hoc publicity in greater detail and take measures to prevent insider-trading offences.

- The board of directors should ensure, in particular, that appropriate action (e.g. quiet periods) is taken with regard to purchasing and selling securities of the company during critical periods, e.g. in connection with acquisition projects, before media conferences or prior to announcing corporate figures.

Committees of the board of directors

21

The board of directors should form committees to perform defined tasks.

- The board of directors should use its powers to appoint committees from amongst its members responsible for carrying out an in-depth assessment of specific areas of responsibility and supporting the board of directors in fulfilling its tasks. The committees should ensure that the full board of directors is provided with comprehensive information in the areas for which they are responsible. In addition to the audit, compensation and nomination committees, other committees may be created (e.g. in the areas of corporate governance, sustainability, digitalisation/technology, innovation, risk and investments or also ad hoc committees to assess specific transactions).
- The board of directors should appoint the members of the committees if the general shareholders' meeting does not have the right to do so. It should appoint the chairpersons of the committees and determine their procedures. Apart from that, the rules applying to the board of directors also apply mutatis mutandis to the committees.
- The board may combine the functions of several committees provided that this is expedient and all committee members meet the respective requirements.
- Instead of committees, small and medium-sized companies may appoint individual representatives or have the full board of directors perform the tasks in question.
- The organisational regulations and any committee regulations should ensure a clear definition of responsibilities in the relationship between committees and the full board of directors and in the relationship between committees and competent management functions. Within the framework of the legal requirements, individual duties can be assigned to committees for definitive decision-making.
- The committees may obtain independent advice from external experts on important business matters at the company's expense.
- The committees should report to the board of directors on their activities and decisions.
- The committees may hold meetings with or without the participation of members of the executive board or other members of management. They should make sure that the independent performance of their duties and the independent formation of their judgement remain guaranteed.

Audit committee

22

The board of directors should set up an audit committee.

- The audit committee should consist of independent members of the board of directors. The chairperson of the board of directors should not also be the chairperson of the audit committee.
- The chairperson of the audit committee and/or the majority of the members should have practical experience in finance and accounting or in auditing. In complex relationships, other relevant competences (e.g. from the fields of compliance, risk management or non-financial reporting) should also be available depending on the company's risks and needs.

23

The audit committee should form its own opinion of the quality of the external auditor and internal audit, the internal control system and the financial and non-financial reporting.

- The audit committee should periodically assess the performance and remuneration of the external audit and formulate proposals for the attention of the board of directors with regard to the (re-)election motion to the general shareholders' meeting. It should manage any selection procedure and ensure that quality characteristics have priority.
- The audit committee should assure itself of the independence of the external auditor and assess the appropriateness of the term of office. It should examine the compatibility of the auditing responsibilities with any consulting mandates and determine from what level of consultancy fee the prior consent of the audit committee is necessary.
- The audit committee should assess the effectiveness and independence of the internal audit and its coordination with the external auditor.
- The audit committee should also assess the internal control system in the company or group.
- The audit committee should critically review the annual and consolidated financial statements and the other financial statements to be published. It should discuss the financial statements with the chief financial officer and the head of the internal audit and with the head of the external audit. The audit committee should put forward the motion on the presentation of the consolidated financial statements to the general shareholders' meeting.
- The audit committee should discuss the reporting on non-financial matters. It should obtain the necessary information for this.
- The audit committee should have access to the relevant internal functions and the head of the external audit. It should communicate regularly with the head of the external audit in order to fulfil its tasks in an informed manner. At least once a year, this communication should take place without the participation of management (in "private sessions").

Compensation committee

24

The board of directors should be supported in the fulfilment of its tasks in the field of compensation by the compensation committee.

- Please refer to "Determination of compensation for the board of directors and executive board" (Section 35 et seq.).

Nomination committee

25

The board of directors should set up a nomination committee.

- The nomination committee should consist predominantly of independent members of the board of directors.
- The nomination committee should lay down principles and criteria for the selection of candidates for election or re-election to the board of directors and prepare the selection of candidates in accordance with these criteria.
- The nomination committee may also be assigned responsibilities in connection with the selection of, assessment of and succession planning for candidates for top management.

Dealing with risks, compliance and financial monitoring (internal control system)

26

The board of directors should ensure that there is an internal control system that is adapted to the company and that encompasses risk management, compliance and financial monitoring.

- The internal control system should serve the purpose of ensuring the effectiveness and efficiency of the operations, of ensuring compliance and of ensuring the reliability of financial and non-financial reporting.
- The operational management and its supporting functions should ensure that the controls are implemented in accordance with the board of directors' requirements and that they are effective.
- The internal control system's structure must take account of the size, complexity and risk profile of the company.

Risk management

27

The company has an appropriate risk management system in place. The board of directors carries out regular risk assessments.

- The risk management should in particular encompass strategic, operational, legal, financial and market risks and risks to the reputation of the company.
- The board of directors should conduct a risk assessment at least once per year and take account of the results of the assessment for its management and supervision duties and for further developing the internal control system.

Compliance and responsible conduct

28

The board of directors ensures that the company as a whole complies with the laws and internal standards (compliance) and also acts responsibly in activities that fall outside the scope of their provisions.

- Within the scope of its overall supervision, the board of directors should ensure that not only its members but the company as a whole, including management and employees, comply with the law and internal standards (compliance) and that, in addition, they act responsibly.
- The board of directors should structure compliance according to the specific nature of the company and issue an appropriate code of conduct. It should follow recognised best practice rules and consider the important role of financial and non-financial incentives for employees and their managers.³
- The executive board takes measures to comply with the law and internal standards and to ensure integrity in day-to-day business practices. It should provide the necessary human and financial resources for this.

³ See "Fundamentals of effective compliance management" dated September 2014, drafted by economiesuisse and SwissHoldings.

Financial monitoring

29

The board of directors is responsible for the implementation of financial monitoring.

- The board of directors must ensure that the accounting, financial control and financial planning are organised appropriately.
- The board of directors should monitor the company's solvency.
- The board of directors should approve the annual and consolidated financial statements for the attention of the general shareholders' meeting.

30

The company should ensure that the risks associated with the use of data are managed and appropriately limited.

- The company should ensure that there is governance for data handling appropriate to its activities and risks. Firstly, this should enable the value of the data to be used for the benefit of the company and the wider community. Secondly, the data governance should ensure compliance with the legal requirements and that the risks of data handling are taken into account.
- For further rules on data management, the company can, for example, orient itself on the code of practice for the responsible handling of data by the Swiss business sector.⁴

31

The internal audit assesses the effectiveness of the internal control system.

- The board of directors should set up an internal audit and, in doing so, be guided by recognised professional standards.
- The internal audit should make an autonomous and independent assessment of the effectiveness of the controls set up by the board of directors and the executive board and of the internal control system.
- The internal audit should be in direct communication with the executive board and the board of directors. It makes reports to the executive board and the board of directors or the audit committee.
- Internal audit should have unrestricted access to all areas and information of the company. Internal audit and the external auditor should coordinate with each other in an appropriate manner.

⁴ See the code of practice for the responsible handling of data by the Swiss business sector, [economiesuisse, www.economiesuisse.ch/en/managingdata](http://economiesuisse.ch/en/managingdata).

Independent external audits

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The auditor as an authority should fulfil the tasks of the external auditor and can, if necessary, be mandated for further audit services.

- The statutory auditor should be elected by the general meeting. As an authority, it should fulfil the audit, reporting, notification and disclosure duties stipulated by law.
- The auditor should receive all information that it needs to fulfil its duties. It safeguards business secrets of the company in its assessments and maintains secrecy regarding its findings unless it is required by law to disclose such information.
- The company can mandate the auditor or another audit firm for further audits required by law (e.g. the audit of equal pay analyses) or voluntary audits (e.g. the audit of sustainability reports).

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Quality assurance and independence of the audit firm

- The auditor should fulfil the duties assigned to it by law in accordance with the requirements and guidelines relevant to it.⁵ It should coordinate with internal audit in an appropriate manner.
- The auditor shall comply with the legal and conduct requirements on maintaining independence that are applicable to it.⁶ After no more than seven years, the audit company should ensure the person in charge of the ordinary audit mandate is changed and thus guarantee the independent performance of duties even in mandates of many years.

Disclosure

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In its reporting, the company should provide relevant and reliable information on financial and non-financial matters and on corporate governance.

- Legal requirements, especially of stock exchange law and financial reporting law, and the SIX Swiss Exchange Directive on Information relating to Corporate Governance, apply with regard to individual pieces of information.
- The financial reporting should be carried out in accordance with recognised accounting standards and audited by the auditor.
- The reporting on non-financial matters should be based on the legal requirements. It should, however, also be able to go beyond these, depending on the situation, and should be guided by internationally recognised standards and rules. The reporting should be comprehensible and relevant. The reporting on non-financial matters is also part of the internal controls and can be reinforced by an independent, external audit.
- With regard to the disclosure on the implementation of the Swiss Code, the principle that deviations must be made transparent and explained (“comply or explain”) applies. This makes it possible to take account of industry- or company-specific features. Well-justified deviations may be in the interests of good corporate governance.

⁵ The authorisation and supervision of audit firms is the responsibility of the Federal Audit Oversight Authority (FAOA) within the framework of the legal requirements.

⁶ See the Independence Guidelines of EXPERTsuisse (available in German and French on www.expertsuisse.ch/reglemente).

Determination of compensation for the board of directors and executive board

Role of the general shareholders' meeting

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The shareholders have the highest responsibility for the total amount of compensation paid to the board of directors and the executive board and for the composition of the compensation committee.

- The board of directors decides within the framework of the requirements of the law and the articles of association how it will structure and organise the various votes and elections in the general shareholders' meeting. It should strive for objective debates and efficient decision-making by the general shareholders' meeting.
- The chairperson of the board of directors or the chairperson of the compensation committee should provide additional information to the general shareholders' meeting on the compensation proposed, the compensation report and the remuneration system, and take questions on these topics.
- The board of directors should also maintain a dialogue regarding compensation with shareholders in accordance with the general principles (Section 8).

The role of the board of directors and the compensation committee

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The board of directors should pass resolutions on the compensation policy, the fundamental design of the compensation system and compensation motions placed before the general shareholders' meeting.

- Within the framework of the principles set out in the articles of association, the board of directors should pass a resolution on a compensation policy that takes the strategic goals of the company into consideration. It should pass resolutions on the fundamental design of the compensation system for members of the board of directors and the executive board and on the guidelines for the structure of the occupational pension schemes for the executive members of these bodies.
- The board of directors should decide the compensation sums to be submitted annually for approval for the board of directors, the executive board, and, if necessary, the advisory council, and justify these in its motions to the general shareholders' meeting in a comprehensible manner. In doing so, it may also refer to the compensation report.
- The board of directors should comply with the resolutions of the general shareholders' meeting and with the stipulations in the articles of association and regulatory requirements on the division of competence between itself and the compensation committee regarding the determination of individual compensation packages. It generally reserves the right to determine the compensation for the chairperson of the executive board.

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The compensation committee should consist of independent members of the board of directors.

- The board of directors should propose independent members to the general shareholders' meeting for election to the compensation committee. If non-independent members are proposed by the shareholders for election, the board of directors should inform the general shareholders' meeting of this situation.
- The board of directors should not propose any members for election to the compensation committee who have reciprocal board memberships. Such a situation is deemed to exist in the case of a committee member responsible for co-determining the compensation of a member of the board of directors or the executive board under whose supervisory or directive authority the committee member serves in another company.
- Members of the board of directors who are themselves, or represent, significant shareholders may be members of the compensation committee.

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The compensation committee has a key role to play in implementing the stipulations of the law, the articles of association and the general shareholders' meeting, which demands expertise and commitment in the interests of the company.

- The board of directors should indicate to the compensation committee the basic elements of the compensation system for members of the board of directors and the executive board within the framework of the articles of association; this system should be as simple, as clear and as comprehensible as possible.
- The compensation committee should also strive to ensure traceability with respect to the practical application of the compensation system.
- The compensation committee should periodically report to the board of directors on the status of the remuneration process within the framework of the law, the articles of association and relevant resolutions of the general shareholders' meeting. Where necessary, it should propose the requisite changes to the remuneration system.

Principles of the compensation policy and compensation system

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The compensation policy should ensure that the board of directors, the executive board and employees are compensated for performing, and motivated to perform, in a way that serves the goal of sustainable corporate development and the long-term growth of company value.

- The compensation paid by the company is a means to achieve and realise the company's objectives and purpose. It should be geared to the sustainable interests of the company and be aligned with the strategic objectives decided by the board of directors.
- The determination of the compensation policy is part of the board of directors' overall management responsibilities. When fulfilling their respective duties, the board of directors and the compensation committee should hold themselves accountable for compliance with the compensation policy and should endeavour to ensure its implementation.
- The total compensation paid out by the company should be appropriate to the payments to shareholders and the investments and provisions necessary for sustainable company development. The compensation should also be reasonable taking account of appropriate income distribution in the company and with a view to the circumstances at the company's location and should be transparent for the company's stakeholders.

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The compensation system should be designed in such a way that it ensures the alignment of the compensation with the sustainable interest of the company on the basis of transparent and comprehensible criteria.

- The company should offer overall compensation commensurate with market conditions and aligned to performance. This should enable the company to acquire and retain persons with the necessary skills and qualities.
- The compensation should be based on criteria that are also comprehensible for third parties and are geared towards the sustainable achievement of the company's objectives. The board of directors can link the variable compensation to specific compliance and other sustainability objectives.
- The board of directors should provide for share-based compensation with the aim of aligning the interests of top executives with the interests of long-term committed shareholders as closely as possible. Experiences and developments within the relevant markets should be taken into account here.
- The compensation system should stipulate acquisition and holding periods with regard to appropriate shareholdings, particularly for top executives.
- The compensation system should be designed in such a way that total compensation is reduced if certain objectives are not achieved (malus). The compensation system may additionally provide that in the contracts with top executives, beyond the requirements of the law, the right is reserved to claw back compensation that has already been paid under certain conditions (clawback).

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The compensation system should generally include fixed and variable parts. It should reward performance geared to the achievement of medium- and long-term objectives with compensation elements that are not available until later.

- Compensation packages should generally consist of immediately available components for the achievement of short-term objectives and of components deferred or blocked for several years for the achievement of medium- or long-term targets. In the case of non-share-based deferred compensation components, attention must be paid to appropriate performance criteria and reasonable congruence of maturities.
- The compensation packages for individuals in executive positions should generally contain fixed and variable components. The compensation system should be designed so that the ratio of the variable component and the fixed compensation leads to total compensation in line with the orientation towards the sustainable achievement of the company's objectives.
- The compensation packages for individuals in non-executive positions should generally only consist of fixed components. In principle, these should consist of payments and share allocations.

Compensation report and transparency

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The board of directors should produce an annual compensation report and ensure transparency with respect to the compensation given to the members of the board of directors and the executive board.

- The compensation report should contain the content required by law and also describe the compensation system and its application in the business year under review. The compensation report should indicate what remuneration the members of the board of directors, the executive board as a whole and the latter's most highly compensated member were awarded for the business year and why such remuneration has dropped or increased in the business year under review.
- The compensation report should detail the key criteria that have been used in measuring the variable elements of compensation and the mechanism that has been applied for valuing share-based compensation elements according to the relevant rule system.
- The compensation report should specify the external consultants that have been used in connection with compensation issues and describe the comparisons that have been made.
- The compensation report should also show transparently how the board of directors and the compensation committee have implemented the compensation decisions of the general shareholders' meeting made in advance in the business year under review.
- If the general shareholders' meeting prospectively approves variable compensation, the board of directors should present the compensation report to the general shareholders' meeting for consultative voting.

Special circumstances

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The rules of the Swiss Code may be adapted to actual circumstances, depending on the shareholder structure and the size of the company.

- Companies with active major shareholders (including listed subsidiaries of a group) as well as small and medium-sized enterprises may modify or simplify the guidelines. Such companies should, in their own way, implement, in particular, an appropriate arrangement for the assessment of the external auditor, a functional internal control system, a remuneration policy for members of the board of directors and the executive board, and the succession policy for the board of directors. They should also take account of the principles of sustainability in a proportionate way.
- For public listed companies, the principle of "comply or explain" remains applicable.
- The Swiss Code may also be applied mutatis mutandis in full or in part by companies that are not joint stock corporations.

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