

Switzerland

Thomas Schmid, Stefan Scherrer, Norbert Schenk and Fabian Akeret

BianchiSchwald LLC

Sources of corporate governance rules and practices

1 Primary sources of law, regulation and practice

What are the primary sources of law, regulation and practice relating to corporate governance? Is it mandatory for listed companies to comply with listing rules or do they apply on a 'comply or explain' basis?

The primary sources of law are the provisions on stock corporations in the Swiss Code of Obligations (CO) and, for listed companies, the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FMIA). In the financial sector, the regulations and practice of the Swiss Financial Market Supervisory Authority (FINMA) regarding corporate governance also have to be complied with. As regards executive compensation, listed companies with registered office in Switzerland have to comply with the Ordinance against Excessive Compensation in Listed Companies (OaEC).

Further, there are the listing rules and circulars of the two Swiss stock exchanges, SIX Swiss Exchange (SIX) and BX, in particular the SIX Directive on information relating to corporate governance (SIX Directive Corporate Governance, DCG), obliging issuers to disclose certain information with regard to corporate governance in a separate section of their annual reports on a comply or explain basis.

Also of relevance is the Swiss Code of Best Practice for Corporate Governance (SCBP) published by Economiesuisse, a federation representing the interests of the Swiss business community. The SCBP contains non-binding recommendations that serve as guidelines for good governance. The SCBP primarily addresses listed companies, but is also used by non-listed companies and other organisations. Economiesuisse in addition has issued the *Guidelines for institutional investors governing the exercise of shareholder rights in Swiss listed companies* containing best practice for the exercise of shareholders' rights by institutional investors.

Last, there are proxy voting guidelines of influential proxy advisers, such as Ethos (Ethos - Schweizerische Stiftung für nachhaltige Entwicklung) or ISS, which include corporate governance principles (see question 2).

The answers in this chapter are focused on generally applicable corporate law and do not address specific regulations applicable to regulated companies, in particular in the financial sector.

2 Responsible entities

What are the primary government agencies or other entities responsible for making such rules and enforcing them? Are there any well-known shareholder groups or proxy advisory firms whose views are often considered?

The Swiss Parliament and the Federal Council (executive body) enact laws and ordinances. As regards regulations applicable to listed companies, FINMA and the Swiss Takeover Board (TOB) are responsible for enforcing stock exchange and public takeover law. Stock exchange law is also enforced by SIX and BX.

There are various proxy advisers active in Switzerland, among which Ethos is probably the most influential.

The rights and equitable treatment of shareholders

3 Shareholder powers

What powers do shareholders have to appoint or remove directors or require the board to pursue a particular course of action? What shareholder vote is required to elect or remove directors?

The shareholders' meeting elects and removes the members of the board of directors (board). This duty is non-transferable. The shareholders' meeting of listed companies is required by the OaEC to hold such elections on an annual basis; non-listed companies may provide for a term of office of more than one year. The shareholders' meeting of listed companies also elects the chair of the board and the members of the compensation committee, which must be established mandatorily; in non-listed companies the board may define its organisation without requiring a shareholders' vote.

Pursuant to the CO, one or more shareholders representing at least 10 per cent of the company's share capital may request that the board convene a shareholders' meeting. Such shareholders or any other shareholders representing shares with a nominal value of 1 million Swiss francs or more may demand that an item be put on the agenda. Listed companies often reduce the threshold in their articles of association to increase their governance ratings.

There are various rights of individual shareholders, for example, to request a special audit to be conducted regarding the conduct of business by the board (subject to a shareholders' vote with the required quorum) and to present motions to shareholders' meetings, to the extent covered by the agenda items.

Elections of board members and most other resolutions of the shareholders' meeting require the absolute majority of the votes represented at the respective meeting. Beyond such resolutions regarding shareholders' matters, the shareholders have no right to require the board to pursue a particular course of action.

4 Shareholder decisions

What decisions must be reserved to the shareholders? What matters are required to be subject to a non-binding shareholder vote?

In listed and non-listed companies, the following non-transferable matters require a resolution by the shareholders' meeting:

- adoption and amendment of the articles of association;
- election of the members of the board and the auditors;
- approval of the management report and, if applicable, the consolidated group financial statements;
- approval of the annual financial statements and use of the balance sheet profits, in particular, the determination of dividends;
- discharge of the members of the board; and
- adoption of decisions reserved for the shareholders' meeting by law or the articles of association.

In listed companies, the following additional matters require a resolution by the shareholders' meeting:

- election of the chairman of the board;
- election of the members of the compensation committee;

- election of the independent proxy; and
- approval of the compensation of the board, the top-level management (management) and the advisory body.

Swiss corporate law does not provide for non-binding shareholder votes. However, non-binding votes are still held in shareholders' meetings to allow the shareholders to express their opinion (see question 37).

5 Disproportionate voting rights

To what extent are disproportionate voting rights or limits on the exercise of voting rights allowed?

Companies may introduce classes of shares with a voting preference or a voting limit in their articles of association (ie, a clause that limits the ability to exercise voting rights by a shareholder or group of shareholders to a certain percentage of the total votes). The maximum ratio permitted between common shares and shares with a voting preference is 1:10. Voting preferences do not apply for certain decisions of the shareholders' meeting, in particular the appointment of experts to audit the company's management, special audits or the initiation of a liability claim against board members.

6 Shareholders' meetings and voting

Are there any special requirements for shareholders to participate in general meetings of shareholders or to vote? Can shareholders act by written consent without a meeting? Are virtual meetings of shareholders permitted?

In the case of registered shares, a shareholder needs to be registered in the share register in order to participate and exercise its membership rights in a shareholders' meeting. With respect to bearer shares, the authority to participate and to exercise the membership rights derives from the possession and presentation of the bearer shares. A shareholder may be represented by a third party, which, unless otherwise provided for in the articles of association, must not be a shareholder.

The membership rights (including the right to vote) in non-listed companies are suspended if and as long as a shareholder fails to comply with its reporting obligation regarding the beneficial ownership of the shares. The said reporting obligation applies, with respect to registered shares, if a stake of 25 per cent or more of the share capital or votes is acquired and, for bearer shares, in respect of any acquisition, in both cases unless the shares are issued as intermediated securities in accordance with the Federal Act on Intermediated Securities.

Shareholders' resolutions by written consent (without a physical meeting) or virtual meetings of shareholders (including direct electronic voting) are not currently permitted under Swiss law. Multi-site shareholders' meetings (including video and sound transmission) are, however, considered permissible. Also, listed companies are required to provide for means allowing to electronically issue powers of attorney as well as voting instructions to an independent proxy.

7 Shareholders and the board

Are shareholders able to require meetings of shareholders to be convened, resolutions and director nominations to be put to a shareholder vote against the wishes of the board, or the board to circulate statements by dissident shareholders?

Outside of shareholders' meetings, shareholders may require shareholders' meetings to be convened by the board if, alone or together, they represent 10 per cent of the issued share capital of the company or shares with a nominal value of at least 1 million Swiss francs. Such a request to the board must be made in writing and be sufficiently precise. If such a request is not complied with within a reasonable time period, the shareholders may request a court to convene a shareholders' meeting.

With the exception of resolutions on the convocation of a shareholders' meeting, on the appointment of an auditor, or to carry out a special audit, an amendment of the agenda will generally be necessary to vote on resolutions against the wishes of the board. Such an amendment of the agenda is subject to the same requirements that apply to requests to convene a shareholders' meeting and must be requested sufficiently early to allow the amended invitation to the shareholders' meeting to be issued in time (ie, as per the law at least 20 days before

the shareholders' meeting (the articles of association may prolong this deadline but not shorten it)). However, it will often be impossible to obtain a decision of the court in time, so that it will also be necessary to request a convocation of a new shareholders' meeting.

It should be noted that:

- the aforementioned requirements may be made less (but not more) stringent by the company's articles of association (this is often the case in listed companies and is addressed by the SCBP as a way to comply with the recommendation that companies should endeavour to facilitate the exercise of shareholders' statutory rights);
- during a shareholders' meeting, any shareholder may require a vote on the convocation of another shareholders' meeting; and
- shareholders representing 100 per cent of the share capital are always free to hold a universal assembly, in which case the limitations mentioned above become irrelevant.

Dissident shareholders may require statements to be protocolled in the minutes of the shareholders' meeting. However, they may not request that the board circulate dissenting statements prior to or after shareholders' meetings.

8 Controlling shareholders' duties

Do controlling shareholders owe duties to the company or to non-controlling shareholders? If so, can an enforcement action be brought against controlling shareholders for breach of these duties?

In non-listed companies, the only duty of all shareholders, including controlling shareholders, is to pay the issue price for their shares.

In listed companies, shareholders (or groups of shareholders) reaching or exceeding the threshold of 3 per cent of all voting rights have certain disclosure obligations, and shareholders (or groups of shareholders) reaching or exceeding the threshold of one-third of the voting rights have the duty to make an offer to all other shareholders to acquire their shares at a certain minimum price. The threshold for such duty to make a mandatory offer may be increased in the articles of association to up to 49 per cent of the voting rights or the company may opt out from the requirement to make such an offer. FINMA and the TOB may enforce such duties.

Recently it has become more common for controlling shareholders to enter into relationship agreements with the (listed) company they control. Such agreements typically contain provisions regarding the composition of the board, information flow to the shareholders, the taking of decisions, and other matters found in shareholders' agreements.

9 Shareholder responsibility

Can shareholders ever be held responsible for the acts or omissions of the company?

The piercing of the corporate veil and thus a direct liability of a shareholder for acts or omissions of a legal entity is limited to highly qualified abuse-of-right situations. Additionally, if a shareholder is involved in the management of a company, it may be deemed to be a de facto body of such company and thus be held liable for its acts and omissions as any other body of a company (see question 18).

Corporate control

10 Anti-takeover devices

Are anti-takeover devices permitted?

Yes, in particular the following:

- transfer restrictions on registered shares (see question 12);
- voting limits (see question 5);
- voting shares (see questions 5 and 12); and
- the introduction of an increased quorum for certain shareholders' decisions.

11 Issuance of new shares

May the board be permitted to issue new shares without shareholder approval? Do shareholders have pre-emptive rights to acquire newly issued shares?

No shares may be issued without prior authorisation by the shareholders' meeting. Such authorisation can be in the form of a resolution:

- to perform an ordinary capital increase, which the board must implement within three months;
- to grant the board the authority to increase the share capital within a period of up to two years by up to 50 per cent; or
- to provide for so-called conditional capital, which allows the board to issue rights to subscribe for shares (conversion or option rights) to lenders or employees.

Each shareholder has a pre-emptive or preference subscription right to acquire new shares in proportion to its actual participation in the company. However, the shareholders' meeting may exclude pre-emptive rights (or grant the board authorisation to do so) for good cause by at least two-thirds of the voting rights represented in the shareholders' meeting and an absolute majority of the par value of shares, if such cancellation of the pre-emptive rights does not result in any improper advantage or disadvantage to any shareholder.

12 Restrictions on the transfer of fully paid shares

Are restrictions on the transfer of fully paid shares permitted and, if so, what restrictions are commonly adopted?

Non-listed companies may provide in their articles of association that registered shares may only be transferred with the board's approval, which can be denied based on important reasons specified in the articles of association. In any case, the company may acquire the respective shares for its own account, the account of other shareholders or for the account of a third party at fair market value, or refuse the transfer and the registration of the transferee in the company's share register if the acquirer does not explicitly state that it has acquired the shares in its own name and on its own account. In the case of transfers based on inheritance, division of estate, matrimonial property law or compulsory execution, the company may withhold its consent only if it offers to purchase the shares at their fair market value.

Listed companies are more restricted and may only refuse a share transfer if the acquirer:

- exceeds a certain percentage of the company's voting rights (subject to a respective transfer restriction being included in its articles of association); or
- fails to state that it holds the acquired shares in its own name and on its own account.

In each case, the listed company may only prevent the shareholder from exercising its voting rights but not the transfer of title of the acquired shares (ie, the acquirer will be entitled to any resolved dividends in any case). Transfers based on inheritance, division of estate or matrimonial property law may not be refused by listed companies.

13 Compulsory repurchase rules

Are compulsory share repurchases allowed? Can they be made mandatory in certain circumstances?

Companies may repurchase own shares up to a limit of 10 per cent of their share capital (in case the repurchase is made in connection with transfer restrictions, a threshold of 20 per cent applies) provided that the company has sufficient freely available equity. Such share repurchases are not, and cannot be made, mandatory.

14 Dissenters' rights

Do shareholders have appraisal rights?

No, there are no appraisal rights of shareholders. However, in connection with a squeeze-out merger, the company may compensate the squeezed-out minority shareholders with a cash payment at fair market value.

The responsibilities of the board (supervisory)**15 Board structure**

Is the predominant board structure for listed companies best categorised as one-tier or two-tier?

In listed companies the predominant board structure is a two-tier structure, as the board normally makes use of the possibility to delegate some of its duties to the management (see question 21).

16 Board's legal responsibilities

What are the board's primary legal responsibilities?

The board is responsible for managing the business of the company, in accordance with its duty of care and fiduciary duty, to the extent that tasks have not been delegated to the management. In general, the board may adopt decisions on all matters that are not explicitly reserved to the shareholders' meeting by law, or by the articles of association (see question 4), or delegated to the management based on organisational regulations. The board often delegates a major part of the transferable responsibilities to a management. The board, however, remains liable for the due selection, instruction and supervision of the parties to whom it has delegated responsibilities (see question 21).

17 Board obligees

Whom does the board represent and to whom does it owe legal duties?

The board represents the company and is obliged to act in the company's best interest. The company's purpose is stated in its articles of association. There is no clear view in legal literature or court practice as to which interests must be considered by the board, in particular whether the focus must be on shareholders' interests or whether and to what extent other stakeholders' interests may have to be taken into account.

The SCBP is focused on safeguarding 'sustainable company interests', which implies a time component (long-term perspective) often taken into account by boards in their decision-making process.

18 Enforcement action against directors

Can an enforcement action against directors be brought by, or on behalf of, those to whom duties are owed?

Any members of the board as well as any other persons engaged in, and with a significant influence on, the management or the liquidation of a company may, irrespective of whether or not formally appointed as directors, liquidators or any other similar function, be held liable for any intentional or negligent breach of their duties.

Whenever shareholders or creditors suffer direct damage (as opposed to indirect damage resulting from direct damage to the company itself), they are entitled to bring action for compensation of the damage. With respect to damage to the company, the company as well as the shareholders and, in the case of an insolvency only and subject further to the insolvency administrators not having taken legal action, the creditors, may bring action, whereby however both the shareholders and the creditors may only ask for the compensation of the company's damage (ie, payment to the company).

19 Care and prudence

Do the board's duties include a care or prudence element?

Yes, it is established case law that decisions of the board in compliance with the business judgement rule do not constitute a breach of duty, even if such decisions prove to be wrong retrospectively (see question 16). To be compliant with the business judgement rule the board must apply the following principles when making business decisions:

- unbiased and independent board and no conflicts of interest;
- decision-making process based on appropriate information;
- consideration of alternative scenarios; and
- test of justifiability.

20 Board member duties

To what extent do the duties of individual members of the board differ?

The duties of the individual members of the board do not differ as they are defined by objective criteria. In particular, the duty of care and loyalty (see question 19) requires the board to act in the same way as a diligent and competent member would have acted in the same circumstances. Compliance with these duties is assessed by reference to an objective standard of diligence, unless a member of the board is an expert in a certain field. In this case, the standard applicable to such director will be assessed by reference to a diligent and competent director having the same level of expertise in the relevant field.

21 Delegation of board responsibilities

To what extent can the board delegate responsibilities to management, a board committee or board members, or other persons?

The board has the following non-transferable and inalienable duties:

- overall management of the company and the issue of all necessary directives (strategic governance);
- determination of the company's fundamental organisational structure;
- organisation of the accounting, financial control and financial planning systems as required for the management of the company;
- appointment and dismissal of persons entrusted with managing and representing the company;
- overall supervision of the persons entrusted with managing the company, in particular, in regard to compliance with the applicable law, articles of association, operational regulations and directives;
- compilation of the annual report, preparation for the shareholders' meeting and implementation of its resolutions;
- notification of the court in case the company is overindebted (ie, if the liabilities are no longer covered by its assets); and
- issuing the annual compensation report on the board's and management's compensation (only for listed companies according to the OaEC).

Otherwise, the board may delegate its responsibilities to third parties, individual board members or committees, or to the management, in each case in accordance with organisational regulations issued by the board. The board, however, remains liable for the due selection, instruction and supervision of the parties to whom it has delegated responsibilities.

22 Non-executive and independent directors

Is there a minimum number of 'non-executive' or 'independent' directors required by law, regulation or listing requirement? If so, what is the definition of 'non-executive' and 'independent' directors and how do their responsibilities differ from executive directors?

No, neither the law nor (stock exchange) regulations or listing rules provide for a minimum number of non-executive or independent board members. Nevertheless, for listed companies, the DCG contains certain disclosure obligations for non-executive members of the board, and the SCBP recommends that the majority of the board should consist of independent members, meaning non-executive members who have either never, or at least not for the past three years, been members of the management, and who have no (or comparatively minor) business relations with the company. In addition, proxy adviser guidelines often contain specific requirements regarding the independence of members of the board, typically based on years of service, relationship with significant shareholders, commercial arrangements with the company, and the like.

23 Board size and composition

How is the size of the board determined? Are there minimum and maximum numbers of seats on the board? Who is authorised to make appointments to fill vacancies on the board or newly created directorships? Are there criteria that individual directors or the board as a whole must fulfil? Are there any disclosure requirements relating to board composition?

The board must be composed of at least one member; there is no maximum number specified by law or any regulations, but the articles of association may provide for such limits. The size is determined by the shareholders' meeting electing the board members and filling vacancies. The SCBP recommends that the size of the board should match the needs of the individual company and that the board should be composed of members of both genders.

Only individuals/natural persons may be elected as board members, and there must be at least one Swiss resident – not necessarily also a Swiss citizen – authorised to legally bind the company (with individual signing authority), but such person does not need to be a board member. There are no gender diversity requirements or age limits in force (however, see 'Update and trends').

As regards disclosure, the names, functions and residence of each board member is publicly available in the commercial register. The DCG requires listed companies to disclose information on the board composition, including details on the organisation of the board and the compensation of its members.

24 Board leadership

Is there any law, regulation, listing requirement or practice that requires the separation of the functions of board chairman and CEO? If flexibility on board leadership is allowed, what is generally recognised as best practice and what is the common practice?

The separation of the two functions of board chairman and CEO is generally considered as best practice, even though in many SME and even in a small minority of listed companies (less than 10 per cent) the board chairman and CEO are the same person.

25 Board committees

What board committees are mandatory? What board committees are allowed? Are there mandatory requirements for committee composition?

Non-listed companies are not required to establish any board committees. Listed companies are required by the OaEC to establish a compensation committee, whose members are elected by the shareholders' meeting. There are no restrictions with respect to the establishment of (additional) committees.

The SCBP recommends establishing further committees such as a nomination committee. Listed companies and larger non-listed companies often establish a compensation (and nomination) committee, an audit committee, and some also a strategy committee.

26 Board meetings

Is a minimum or set number of board meetings per year required by law, regulation or listing requirement?

Unless the articles of association provide otherwise only one board meeting per year is required (to prepare for the annual shareholders' meeting and to resolve on the agenda and the respective motions). The SCBP, however, recommends a minimum of four board meetings per year.

27 Board practices

Is disclosure of board practices required by law, regulation or listing requirement?

Non-listed companies are not required to make any such disclosure. Listed companies are required by the DCG to disclose certain board practices, in particular the allocation of tasks within the board, the

members list, tasks and area of responsibility for each board committee and the working methods of the board and its committees.

28 Remuneration of directors

How is remuneration of directors determined? Is there any law, regulation, listing requirement or practice that affects the remuneration of directors, the length of directors' service contracts, loans to directors or other transactions or compensatory arrangements between the company and any director?

For non-listed companies there is no regulation or practice restricting the company with respect to the remuneration of directors, the length of directors' service contracts, loans to directors or other transactions or compensatory arrangements between the company and a director – as long as the arm's length principle is observed. Typically, the board determines the compensation and other relevant matters itself.

For listed companies, the OaEC requires an annual binding shareholder vote on the maximum amount of remuneration of the board (see question 37). According to the OaEC, the articles of association must contain provisions regarding the principles governing the compensation of the board, the maximum amount of loans and similar payments made to members of the board, and the maximum term of a service contract of a member of the board, which may not exceed 12 months.

29 Remuneration of senior management

How is the remuneration of the most senior management determined? Is there any law, regulation, listing requirement or practice that affects the remuneration of senior managers, loans to senior managers or other transactions or compensatory arrangements between the company and senior managers?

For non-listed companies, there is no regulation or practice restricting the company with respect to the remuneration of senior management, the length of employment contracts, loans to senior management or other transactions or compensatory arrangements between the company and a member of senior management – as long as the arm's length principle is observed. Typically, the board determines the management's compensation and other relevant matters.

For listed companies, the OaEC requires an annual binding shareholder vote on the maximum amount of remuneration of the management (see question 37). According to the OaEC the articles of association must contain provisions regarding the principles governing the compensation of the management, maximum amount of loans and similar payments made to members of the management and the maximum term of employment contracts with senior management, which may not exceed 12 months.

30 D&O liability insurance

Is directors' and officers' liability insurance permitted or common practice? Can the company pay the premiums?

The insurance by a company of its directors and officers against directors' and officers' liability, including also the payment of the respective premiums by the company, is generally accepted as permissible. D&O insurance is standard for listed companies and for large non-listed companies.

In addition to liability under civil law, a member of the board may also be liable under criminal law. Furthermore, the board may also be liable for social security contributions and taxes. Typically, these liabilities are excluded from D&O insurance.

31 Indemnification of directors and officers

Are there any constraints on the company indemnifying directors and officers in respect of liabilities incurred in their professional capacity? If not, are such indemnities common?

It is generally considered acceptable for the company to undertake to indemnify its directors and officers for the liabilities and legal costs incurred in their professional capacity, provided however that such

liability and legal costs were not caused by the director's or the officer's intentional or grossly negligent breach of his or her duties.

32 Exculpation of directors and officers

To what extent may companies or shareholders preclude or limit the liability of directors and officers?

The CO allows the shareholders' meeting to grant directors and officers a discharge for their past activities, which, if granted, will preclude the company and the shareholders who voted in favour of such a discharge from suing the discharged directors and officers for facts which were known at the time the discharge was granted. Shareholders who did not take part in the vote on the granting of the discharge or have voted against it, must bring action against the discharged directors and officers within the six months following the vote on the discharge. If they fail to do so, they will also be precluded to act against the discharged directors and officers.

Owing to the lack of clear and recent case law on the topic, there is some uncertainty regarding the validity of any preclusion or limitation, in advance, of the directors' and officers' liability, whether through amendments of the articles of association or through other shareholder action.

33 Employees

What role do employees have in corporate governance?

Employees have no specific role under Swiss corporate law. In particular, there is no obligation to elect an employee representative to the board.

34 Board and director evaluations

Is there any law, regulation, listing requirement or practice that requires evaluation of the board, its committees or individual directors? How regularly are such evaluations conducted and by whom? What do companies disclose in relation to such evaluations?

No, there is no formal legal requirement to conduct evaluations. However, boards of larger non-listed companies and of listed companies regularly conduct an annual self-assessment. The SCBP recommends that the board should self-evaluate its own performance and that of its committees annually. Listed companies that conduct such evaluations may disclose this in their annual reports, but are not obligated to make any disclosure (in particular of the results of the evaluation).

Disclosure and transparency

35 Corporate charter and by-laws

Are the corporate charter and by-laws of companies publicly available? If so, where?

Yes, the articles of association are publicly available in the commercial register at the companies' registered offices; delivery may either be requested from the commercial registry for a low fee or, depending on the canton, the articles may be downloaded free of charge (www.zefix.ch). However, the organisational regulations, governing the organisation of the board and the delegation to the management and its reporting, are not publicly accessible.

Listed companies typically make available their articles of association on their websites. It has recently become more common for listed companies to also disclose their organisational regulations.

36 Company information

What information must companies publicly disclose? How often must disclosure be made?

The publicly accessible commercial register excerpt of each company registered in Switzerland contains certain fundamental information regarding such company, in particular its corporate purpose, share capital, any restrictions on transfers of shares, the identity of its board members and other authorised signatories, its external auditors (if any), and information regarding its history (such as changes in share

Update and trends

Revision of Swiss corporate law

The corporate law revision pursues the objective of implementing the Ordinance against Excessive Compensation in Listed Companies into federal law to enhance shareholders' rights and the objective of improving corporate governance in general, especially for non-listed companies. The revision aims at the following:

- providing for more flexibility with respect to the formation of companies and capital requirements. In particular, share capital in foreign currency and authorised capital reduction within the framework of a new capital band will be permitted. In addition, some legal entities may be founded, dissolved and removed from the commercial register without a public notary;
- adapted accounting regulations and revised triggers requiring the implementation of restructuring measures to prevent bankruptcy;
- increased transparency requirements for economically significant companies active in the extraction of raw materials, in particular an obligation to report payments exceeding 100,000 Swiss francs per financial year to government agencies; and

- implementation of a gender ratio for listed companies with more than 250 employees on a comply or explain basis. At least 30 per cent of the members of the board and at least 20 per cent of the members of the management must be women.

The proposal is currently under review by Parliament. It is unclear whether it will be finally implemented. In any case, adoption is not expected earlier than by the end of 2019 or 2020.

Corporate responsibility legislation

On 10 October 2016, the Responsible Business Initiative was submitted. The initiative provides for the liability of Swiss-based companies for human rights abuses and environmental violations caused abroad by companies under their control, unless they demonstrate that they applied adequate due diligence and implemented the necessary measures to prevent such violations. The proposed regulation provides for the jurisdiction of Swiss courts over such matters. It is expected that a public vote will be held on this initiative in early 2020.

capital, registered offices, or mergers). Any commercial register filings are also published in the Swiss Official Gazette of Commerce.

Companies are required to issue an annual (financial) report. Non-listed companies must make this report available to their shareholders only, listed companies must make it publicly available. In addition, various disclosure obligations apply to listed companies, in particular the following:

- the obligation to make publicly available the disclosure notifications sent by significant shareholders with participations of 3 per cent or more;
- the obligation to report and disclose transactions in shares of the company by members of the board or management (management transactions);
- periodic reporting obligations obliging issuers to inter alia publish half-year accounts and a corporate calendar;
- the obligation to inform the market of potentially price-sensitive facts (ad hoc publicity rule); and
- the obligation to disclose a separate corporate governance chapter in their annual reports on a comply or explain basis with information regarding inter alia the company's group and capital structure, its board, management and auditors, executive compensation, shareholdings and loans, shareholders' participation rights, and change of control and defence measures.

Hot topics

37 Say-on-pay

Do shareholders have an advisory or other vote regarding remuneration of directors and senior management? How frequently may they vote?

Yes, but only in listed companies. The OaEC requires listed companies to hold an annual shareholders' vote on the maximum amount for the compensation of the members of the board, the management and the advisory board (if any). Such vote is binding, that is, the company is not permitted to pay any compensation to the board, senior management or advisory board without having it approved by the shareholders' meeting. While such vote must be held annually, there is some flexibility with respect to its technicalities, in particular whether the variable compensation is voted on separately, the vote is retrospective or prospective, and to which periods the vote relates (often, listed companies approve the compensation for the next business year at the ordinary shareholders' meeting held in the previous business year). In addition, most listed companies conduct an annual non-binding shareholder vote on the compensation report for the past business year.

38 Shareholder-nominated directors

Do shareholders have the ability to nominate directors and have them included in shareholder meeting materials that are prepared and distributed at the company's expense?

If any of the agenda items covers the appointment of directors, any shareholder (even if holding only one share) may nominate its own candidate by way of a motion, which may be presented either before or during the shareholders' meeting. It should be noted that the board normally does not have to include the motions made by shareholders prior to the shareholders' meeting in the invitation to the shareholders' meeting.

If none of the agenda items covers the appointment of directors (which will primarily be the case for non-listed companies, in which the term of office of board members may exceed one year), a shareholder may not nominate a director by way of a motion. It may, however, request an amendment of the agenda to include the appointment of its candidate as a director, if the requirements for such a request are fulfilled (see question 7), it will have to be included by the board in the invitation to the shareholders' meeting.

39 Shareholder engagement

Do companies engage with shareholders? If so, who typically participates in the company's engagement efforts and when does engagement typically occur?

In non-listed companies, beyond their involvement in shareholders' meetings, (anchor) shareholders often have their representatives on the board or at least maintain a close relationship and regular contacts with the board.

In listed companies, stock exchange law, in particular insider trading rules, restrict interactions between the board and the company's shareholders. Nevertheless, boards of listed companies typically seek to regularly involve their (anchor) shareholders in strategy considerations. Given the need to avoid sharing sensitive information, any meetings among board members and shareholders are typically held following the publication of the company's financial statements when the risk of sharing price-sensitive facts is lower.

40 Sustainability disclosure

Are companies required to provide disclosure with respect to corporate social responsibility matters?

No, there is no such requirement. However, listed companies may issue a sustainability report established in accordance with one of the international standards or guidelines on sustainability reporting recognised by SIX Exchange Regulation. Such reports may be published on the SIX website. Seventeen companies have made use of this option.

41 CEO pay ratio disclosure

Are companies required to disclose the 'pay ratio' between the CEO's annual total compensation and the annual total compensation of other workers?

No.

42 Gender pay gap disclosure

Are companies required to disclose 'gender pay gap' information? If so, how is the gender pay gap measured?

No.



Thomas Schmid
Stefan Scherrer
Norbert Schenk
Fabian Akeret

thomas.schmid@bianchischwald.ch
stefan.scherrer@bianchischwald.ch
norbert.schenk@bianchischwald.ch
fabian.akeret@bianchischwald.ch

St Annagasse 9
8021 Zurich
Switzerland

Tel: +41 58 220 37 00
Fax: +41 58 220 37 01
www.bianchischwald.ch