

Switzerland



GLASS LEWIS

2027 Benchmark Policy Guidelines

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Preface: Benchmark Policy 2027

Glass Lewis' single house policy has traditionally anchored the regional benchmark guidelines. Given Glass Lewis' announced intention to move away from this single house policy, towards multiple perspectives representing varied viewpoints of its clients, policy development has entered a period of transition. As such, the Glass Lewis 2026 Benchmark Policy Guidelines will remain static for 2027.

Glass Lewis, however, remains committed to keeping policies current during this transition phase by ensuring that any relevant changes to regulation or corporate governance practices are reflected in the Benchmark Policy guidelines.

An overview of relevant market-level regulatory and/or best practice changes is provided below (See: "Regulatory Updates: 2026"). However, it was concluded that policies included in these guidelines do not require revision for 2027.

Regulatory Updates 2026

- The Swiss Federal Council conducted a consultation on a new Federal Act on Sustainable Corporate Governance, which closed on July 9, 2026. The proposed act narrows the scope of mandatory non-financial reporting to companies with more than 1,000 employees and CHF 450 million in turnover. It also introduces mandatory limited external assurance requirement on non-financial reporting and clarifies that the shareholder vote on the non-financial report is binding. The proposal has not yet been enacted.
- SIX Exchange Regulation suspended its voluntary sustainability reporting "opt-in" as of January 1, 2026. Previously, issuers could voluntarily commit to publishing a sustainability report in accordance with a recognized reporting framework.
- The Swiss Federal Council conducted a consultation, which closed on September 4, 2026, on proposed amendments to the Code of Obligations that would introduce new disclosure requirements concerning proxy advisors. Pursuant to the proposed amendments, the board of directors would be required to disclose in the Notice of Meeting any proxy advisory firm engaged by the company or a group company, together with the services provided, unless the proxy advisory firm confirms that it issued no voting recommendations on the agenda. The amendments have not yet been enacted.

Purpose

The purpose of the Benchmark Policy proxy research and advice is to serve as a framework that facilitates shareholder voting in favour of governance structures that will drive performance and promote and maintain long-term shareholder value.

Guidelines Introduction

These guidelines are intended to supplement the *Continental Europe Benchmark Policy Guidelines* by highlighting the key policies that are applied specifically to companies listed in Switzerland and the relevant regulatory background to which Swiss companies are subject, where they differ from Europe as a whole. Given the growing convergence of governance regulations and practices across companies subject to European Union rules and directives, although Switzerland is not subject to EU laws since it is not a member, the Benchmark Policy Guidelines for companies located in Continental Europe have been consolidated in a single set of guidelines, the *Continental Europe Benchmark Policy Guidelines*, which offers a broad overview of the regional Benchmark Policy approach to proxy advice, grounded in a mix of market best practices, client input on policy issues, and widespread investor consensus on key topics.

While the approach to issues addressed in the *Continental Europe Benchmark Policy* is not repeated here, these guidelines will clearly indicate when the Switzerland policy deviates from the Continental Europe approach.

Corporate Governance Background

The legally-binding requirements for publicly-listed Swiss companies are primarily based on the Swiss Code of Obligations, which was initially approved on March 30, 1911.

Best practices for corporate governance are regulated by the Swiss Code of Best Practice for Corporate Governance (CBPCG), first adopted by a special panel commissioned by the SWX (now SIX) Swiss Exchange on March 25, 2002, and most recently updated in 2023.

The CBPCG operates on a comply-or-explain basis, whereby a thorough and acceptable explanation for a deviation from the provisions of the Swiss Code may be provided in lieu of compliance. As a result, Swiss companies remain relatively free to depart from some central tenets of the CBPCG.

Although Switzerland is not a member of the European Union, many Swiss best practices are based on pan-European principles. While the Swiss corporate governance does have some unique features, the Swiss market best practices broadly align with Continental European standards.

Regulatory Updates

The most recent revision of the Swiss Code of Obligations (CO) came into force on January 1, 2023. The key changes affecting shareholder rights in the revised law include, among others, rules for convening virtual annual general meetings, introduction of the capital band, non-financial reporting and due diligence obligations, and shareholder vote on the non-financial reports at the annual general meetings. The transition period for companies to comply with the revised law and fully adapt their articles of association ended on January 1, 2025, after which any provision in a company's articles of association that conflict with the revised law is no longer considered valid.

In June 2024, the regulator opened a consultation process on potential amendments to Swiss law, with the aim of increasing the alignment of the Swiss requirements on non-financial reporting with the latest EU regulations.

The planned amendments include extending the scope of companies subject to non-financial reporting obligations, removing the comply-or-explain principle in non-financial reports, requiring more detailed disclosure of the main negative impacts, whether actual or potential, of the company's activities and its value chain, as well as mandating independent third-party audits of non-financial reports. The regulator set the deadline of spring 2026 to decide on the next steps for the preliminary draft, to account for planned changes to the EU's sustainability regulation.

In December 2024, the regulator launched a consultation process to amend the Ordinance on Climate Disclosures, which had come into effect in January 2024 and mandates large public companies, banks, and insurers disclose both climate-related financial risks and the environmental impact of their activities. The scope of the consultation is to align the Ordinance, which is currently based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, with the standards of the International Sustainability Standards Board (ISSB) and the EU's sustainability reporting framework, as well as to set minimum requirements for transition plans. This process has been paused, pending clarity on both domestic amendments to Swiss non-financial reporting regulation and ongoing regulatory developments in the EU.

A Board of Directors that Serves the Interests of Shareholders

Election of Board of Directors

Under Swiss law, a company is governed by a single board that may be comprised of some executive members but should consist of mostly non-executive members.¹ A Swiss company may choose to separate the oversight and management roles of the company's leadership by excluding executive members from the board of directors and forming a separate executive committee. Even if a company establishes an executive committee, the board of directors is always entrusted with the direction of a company and other oversight functions.² As a result, a two-tier board system is not strictly possible under Swiss law. Nevertheless, it is not uncommon that Swiss companies, in effect, separate the functions of the board of directors from the executive duties carried out by an executive committee.

Independence

The Benchmark Policy puts directors into three categories based on an examination of the type of relationship they have with the company:

¹ Article 15 of the Swiss Code of Best Practice for Corporate Governance (CBPCG).

² Article 716a of the Swiss Code of Obligations (CO).

Independent Director³ — An independent director has no material,⁴ financial, familial⁵ or other current relationships with the company,⁶ its independent auditor, executives, or other board members, except for board service and standard fees paid for that service.

Affiliated Director — An affiliated director has a material financial, familial or other relationship with the company, its independent auditor, or its executives, but is not an employee of the company.⁷ This may include directors whose employers have a material relationship with the company or its subsidiaries or major shareholders.

Directors will typically be considered affiliated if they:

- Have — or have had within the past three years — a material relationship with the company, either directly or as a partner, shareholder, director or senior employee of an entity that has such a relationship with the company;⁸
- Have been employed by the company within the past five years;
- Receive fees that significantly exceed other directors on the company's board and the boards of its peers;

³ Article 15 of the CBPCG states that an independent director is a non-executive member of the board of directors who was never, or was not within the past three years, a member of the executive management, and who has no comparatively minor business relation with the company.

⁴ Per *Continental Europe Benchmark Policy Guidelines*, "material" means a relationship in which the value exceeds: (i) CHF 50,000 (or 50% of the total compensation paid to a board member, or where no amount is disclosed) for board members who personally receive compensation for a professional or other service they have agreed to perform for the company, outside of their service as a board member. This limit would also apply to cases in which a consulting firm that is owned by or appears to be owned by a board member receives fees directly; (ii) CHF 100,000 (or where no amount is disclosed) for those board members employed by a professional services firm such as a law firm, investment bank or large consulting firm where the firm is paid for services but the individual is not directly compensated. This limit would also apply to charitable contributions to schools where a board member is a professor, or charities where a board member serves on the board or is an executive, or any other commercial dealings between the company and the board member or the board member's firm; (iii) 1% of either company's consolidated gross revenue for other business relationships (e.g., where the board member is an executive officer of a company that provides services or products to or receives services or products from the company); (iv) 10% of shareholders' equity and 5% of total assets for financing transactions; or (v) the total annual fees paid to a director for a personal loan not granted on normal market terms, or where no information regarding the terms of a loan have been provided.

⁵ Per *Continental Europe Benchmark Policy Guidelines*, familial relationships include a person's spouse, parents, children, siblings, grandparents, uncles, aunts, cousins, nieces, nephews, in-laws, and anyone (other than domestic employees) who shares such person's home. A director is classified as an affiliate if the director has a family member who is employed by the company.

⁶ A company includes any parent or subsidiary in a group with the company or any entity that merged with, was acquired by, or acquired the company.

⁷ If a company classifies a non-executive director as non-independent, the director is classified as an affiliate, unless there is a more suitable classification (i.e., shareholder representative, employee representative).

⁸ Article 19 of the CBPCG states that board members should avoid conflicts of interests that may jeopardise their independence to safeguard the company's interests. If a board member has personal interests that affect the interest of the company or has to safeguard such interests for third parties, the member should inform the board chair. In case of conflicts of interests, the board of directors or a member designated by it should take measures based on the severity of the conflict to maintain independent safeguarding of the company's interests.

- Serve as chair of the board of directors and receive fees that align with those of Named Executive Officers;
- Have served on the board for more than 12 years;⁹
- Own or control 10% or more of the company's share capital or voting rights;¹⁰
- Have close family ties with any of the company's advisers, directors or employees; and/or
- Hold cross-directorships or have significant links with other directors through their involvement with other companies.¹¹

Inside Director — An inside director is a shareholder representative that simultaneously serves as a director and as an employee of the company. This category may include a board chair who:

- Is a member of the executive committee, appears to have substantial involvement in operating decisions, or is designated as an executive chair;
- Appears to serve in this position on a full-time basis or is designated as a "Full-time Chair"; and/or
- Receives performance-based remuneration, to which other non-executive members of the board are not entitled.

Voting Recommendations on the Basis of Board Independence

Many investors believe a board will be most effective in protecting shareholders' interests when at least a majority¹² of the directors are independent. Where 50% or more of the members are affiliated or inside directors, the Benchmark Policy typically recommends voting against some of the inside and/or affiliated directors in order to satisfy the majority threshold. However, this generally does not apply where significant shareholders are represented on a board in proportion to their equity or voting stake in a company.

The Benchmark Policy does not recommend shareholders vote against any directors on the basis of lengthy tenure alone. However, votes against certain long-tenured directors may be recommended when it is determined that a lack of board refreshment may have contributed to poor financial performance, lax risk oversight, misaligned remuneration practices, unresponsiveness to shareholder concerns, diminution of shareholder rights, or other concerns. In conducting this analysis, the Benchmark Policy takes into account

⁹ EU Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Annex II. Article 1 (h). Though Switzerland is not party to the EU, many investors believe that this requirement represents best practice in developed European markets. While board members are classified as affiliates in accordance with this standard, the Benchmark Policy analysis evaluates voting recommendations based on this issue on a case-by-case basis.

¹⁰ Per *Continental Europe Benchmark Policy Guidelines*, in accordance with generally accepted best practice in Europe, 10%+ shareholders are classified as affiliates because they typically have access to, and involvement with, the management of a company that is fundamentally different from that of ordinary shareholders. More importantly, 10%+ holders may have interests that diverge from those of ordinary holders, for reasons such as the liquidity (or lack thereof) of their holdings, personal tax issues, etc.

¹¹ Article 15(2) of the CBPCG states that in the event of "cross-involvement" the independence of the member in question should be carefully examined by the board of directors on a case-by-case basis.

¹² Article 15 of the CBPCG states that at least a majority of directors should be non-executives. However, Section 4(B.b) of Circular 2017/1 of the Swiss Federal Banking Commission requires that at least one-third of the board of a banking entity consist of non-executive directors who are independent from the company's management, auditors, major business partners and major shareholders.

average board tenure, evidence of planned or recent board refreshment, and other concerns with the board's independence or structure.

Many investors support the appointment of an independent presiding or lead director with authority to set meeting agendas and to lead sessions outside the insider or affiliated chair's presence. In accordance with best practice, boards should appoint an independent lead director when the chair is not independent, especially when the board is insufficiently independent.

Voting Recommendations on the Basis of Committee Independence

Many investors believe that company insiders should not serve on a company's audit and compensation committees. Further, the best practice recommendations in Switzerland indicate that a majority of the members of these committees should be sufficiently independent from the company and its significant shareholders.¹³ In addition, the Benchmark Policy will generally recommend voting against any audit committee chair who (i) is also the chair of the board of directors, unless a cogent reason is given¹⁴ or (ii) is not independent of the company.

In accordance with best practice in Switzerland, a majority of the members of the nominating committee should be sufficiently independent of company management and other related parties.¹⁵ However, the presence of insider board chairs on the nominating committee is accepted in accordance with market practice in Switzerland. The Benchmark Policy accepts the presence of representatives of significant shareholders on this committee in proportion to their equity or voting stake in the company.

Other Considerations for Individual Directors

The Benchmark Policy's approach to performance, experience and conflict-of-interest issues on the boards of Swiss companies is not materially different from that of the *Continental Europe Benchmark Policy*. The following is a clarification regarding best practice in Switzerland.

External Commitments

The Benchmark Policy generally recommends shareholders vote against directors serving on an excessive number of boards and on this point, in line with the *Continental Europe Benchmark Policy*. According to Swiss Law, each company must identify in its articles of association how many external mandates a director may hold.¹⁶

The Benchmark Policy typically recommends shareholders oppose the election of a director who:

¹³ Article 22 of the CBPCG states that the audit committee should consist of non-executive and independent members.

¹⁴ Article 22 of the CBPCG states that the audit committee chair should not also serve as board chair.

¹⁵ Article 25 of the CBPCG states that the nominating committee should consist predominantly of non-executive and independent members.

¹⁶ Article 95(3)c of the Swiss Constitution (*Bundesverfassung der Schweizerischen Eidgenossenschaft*) and Art. 626(2)1 of the CO.

- Serves as an executive officer¹⁷ of any public company while serving on more than one additional external public company board; or
- Serves as a ‘full-time’ or executive member of the board¹⁸ of any public company while serving on more than two additional external public company boards; or
- Serves as a non-executive director on more than five public company boards in total.

Non-executive board chair positions at European companies are generally counted as two board seats given the increased time commitment generally associated with these roles.

Further, as executive directors will presumably devote their attention to the company where they serve as an executive, the Benchmark Policy will generally not recommend that shareholders vote against the election of a potentially overcommitted director at the company where they serve in an executive function. Similarly, the Benchmark Policy will generally not recommend that shareholders vote against the election of a potentially overcommitted director at a company where they hold the board chair position, except where the director:

- Serves as an executive officer of another public company; or
- Holds board chair positions at three or more public companies; or
- Is being proposed for initial election as board chair at the company.

Nevertheless, a case-by-case approach is adopted on this issue, as described in the *Continental Europe Benchmark Policy*.

Board Structure and Composition

The Benchmark Policy’s approach to board-level risk management oversight and board diversity at Swiss companies is not materially different from that contained in the *Continental Europe Benchmark Policy*. The following is a clarification regarding best practice in Switzerland.

Role of the Board Chair

In Switzerland, the role, responsibilities, and time commitment of the board chair varies considerably between companies. Particularly in cases where the compensation of the chair suggests that their role may be akin to an executive or full-time position or where a company is proposing the election of a new board chair, many investors expect explicit and forward-looking disclosure on the nature of the board chair’s role.

Where the compensation of the board chair suggests that this role may be akin to an executive or full-time position and the information provided on the nature of the board chair’s role is insufficient to allow an analysis of the appropriateness of this compensation, the Benchmark Policy may recommend that shareholders vote against the re-election of the nominating committee chair.

¹⁷ This policy applies to directors that serve in the top executive team of a publicly-listed company (i.e., executive committee, management board, etc.).

¹⁸ This policy applies to directors that serve on a board in a ‘full-time’ or executive capacity without further defined responsibilities within the executive team (e.g., executive chair that is not a member of the executive committee, or a non-executive chair that serves in the role in a full-time capacity).

Where companies provide information on the role, responsibilities and time commitment of the board chair, this will be taken into consideration in the analysis of the proposed composition of the board and the board chair's compensation.

The Code of Best Practice for Corporate Governance states that when the role of board chair and CEO are held by the same person, an independent lead director should be appointed.¹⁹ While there is no regulation in Switzerland mandating that the two roles should remain separate, best practice is increasingly moving to separation of the two roles. When Swiss companies combine the positions of board chair and CEO or when the board chair is considered to be an inside director, and the board is not sufficiently independent and/or the board has failed to appoint a lead independent director, the Benchmark Policy will generally recommend voting against the nominating committee chair.

Nevertheless, the Benchmark Policy adopts a case-by-case approach on this issue, and the analysis will evaluate whether the company has implemented additional safeguards to ensure independent oversight of the board of directors. In Switzerland, the vice chair of the board may often hold additional powers similar to the powers of a lead independent director. If the board has not specifically designated any of its independent members as lead independent director, the vice chair's independence and their additional responsibilities as disclosed in the board's governing policies will be taken into account. Additionally, the Benchmark Policy will consider the overall independence of the board of directors, and exemptions may be granted if all other board members are considered independent.

This approach is in line with the *Continental Europe Benchmark Policy*, and in consideration of prevailing best practice in Switzerland.

Board Diversity and Skills

The CBPCG recommends that a company's board of directors should aim for diversity in its members with regard to competences, experience, gender, age, background and origin.²⁰ The Benchmark Policy generally expects the boards of all main market companies, listed in the Swiss Performance Index ("SPI"), to not be composed solely of directors of the same gender. Further, it generally expects gender diverse directors²¹ to comprise at least 30% of the boards of SMI and SMIM companies. Where a proposed board election does not align with these targets, the Benchmark Policy will generally recommend that shareholders vote against the chair of the nominating committee (or equivalent).

Exceptions to these policies will be made for boards consisting of four or fewer members where a company provides compelling disclosure as to why it has failed to ensure gender balance on the board. Further, recent progress made to improve board diversity while maintaining the required balance of board skills and refreshment will also be taken into account, particularly when a company provides compelling disclosure in this regard such as a commitment to address the gender gap in upcoming election cycles.

Since 2021, Swiss companies are subject to comply-or-explain gender diversity targets, pursuant to which each gender should account for at least 30% of the board of directors and 20% of the executive committee. If targets

¹⁹ Article 18 of the CBPCG.

²⁰ Article 13 of the CBPCG.

²¹ Women, and directors that identify with a gender other than male or female.

are not achieved, companies will be required to include an explanation in the compensation report detailing the reasons for which the targets were missed and the measures in place to increase the representation of the under-represented gender.²² While companies are not required to report on achievement against these targets for the board of directors and executive committee until 2026 and 2031, respectively,²³ a voluntary early adoption by Swiss companies would align with the European best practice. Additionally, the CBPCG encourages the board of directors to implement measures in its personnel and succession planning efforts to promote underrepresented genders in both the board of directors and the executive committee.²⁴

The Benchmark Policy analysis of election proposals at SMI companies includes an explicit assessment of skills disclosure. The purpose of this assessment is to provide further insight into the board refreshment process and allow for a more in-depth assessment of the composition of the board. The analysis may utilise potential skills gaps to underline specific concerns with board or company performance and to assist case-by-case decisions when applying board election policies. Furthermore, where a board has not addressed major and continued issues of board composition, including the composition and mix of skills and experience of the non-executive element of the board, the Benchmark Policy may recommend a vote against the chair of the nominating committee or equivalent as appropriate.

As part of its assessment of the proposed composition of the boards of directors of all Swiss companies, the Benchmark Policy considers whether a company has disclosed meaningful information on skills and diversity at board level, and whether a company has set measurable board-level gender diversity targets, in line with developing best practice. While the presence and quality of disclosure in this regard, standing alone, will not impact voting recommendations, it may be taken into consideration when assessing concerns with a board's overall composition, performance, or its refreshment process.

Board Member and Candidate Disclosure

Article 15 of the CBPCG stipulates criteria to determine whether a director can be considered independent and most Swiss companies provide such an assessment of the independence of the board's directors against these criteria or a set of criteria developed and disclosed by the company.

Given that the disclosure of an independence assessment has become prevalent market practice in Switzerland and Europe, the Benchmark Policy may result in a recommendation against the reelection of the nominating committee chair in cases where shareholders have not been provided with an independence classification of incumbent board members. Further, the Benchmark Policy may also recommend that shareholders vote against the reelection of the nominating committee chair if disclosure of the backgrounds and relevant qualifications of incumbent and proposed board members is substantially below market practice. This shall apply in particular in cases where the board fails to maintain current and detailed curriculum vitae of its incumbent and proposed members or fails to disclose personal and business relationships between board candidates and a company's corporate bodies and/or shareholders with a material interest.

²² Article 734f of the CO.

²³ Article 4 of the Transitional Provisions to the Amendments.

²⁴ Article 13 of the CBPCG.

Board Oversight of Environmental and Social Issues

The Benchmark Policy looks to companies to ensure that boards maintain clear oversight of material risks to their operations, including those that are environmental and social in nature²⁵. Accordingly, for large-cap companies, and in instances where material oversight concerns are identified, the Benchmark Policy will carefully review this situation, as well as how material environmental and social issues are overseen at the board level and whether shareholders are afforded meaningful disclosure of these oversight responsibilities. The Benchmark Policy will generally recommend voting against the governance committee chair (or equivalent) of companies listed on the SMI index that fail to provide explicit disclosure concerning the board's role in overseeing material environmental and social issues.

Board Committees

The Benchmark Policy's approach to the formation of committees and committee performance at Swiss companies is not materially different from that contained in the *Continental Europe Benchmark Policy*.

Swiss boards are recommended to set up separate audit²⁶ and nominating committees;²⁷ most Swiss companies comply. However, as outlined in the *Continental Europe Benchmark Policy* and as stipulated in Article 21 of the CBPCG, small-cap companies may refrain from setting up an audit and/or nominating committee, since the functions assigned to such committees may be performed by the board as a whole. Many investors recognise that this is a valid alternative for companies with small boards;²⁸ however, when this is the case, the Benchmark Policy generally expects companies to provide an explicit rationale for the decision, and expects the board, as a whole, to meet the composition requirements that would generally be sought in the relevant committee. Many investors believe that boards that contain executive directors should at least establish a separate audit committee consisting solely of non-executive directors.

While shareholders have the right to vote on the prospective composition of the compensation committee in Switzerland, planned amendments to other board committees are often not disclosed until after the board's initial meeting following the general meeting. The Benchmark Policy will take into consideration instances where the board has clearly disclosed its intentions with regard to post-AGM committee composition.

Compensation Committee

Compensation committees are mandatory in Switzerland and subject to a separate, individual election.²⁹ Further, a company must outline the duties and responsibilities of its compensation committee in the articles of association.³⁰ The Benchmark Policy generally recommends that shareholders vote for proposals to define the

²⁵ Article 9 of the CBPCG stipulates that the board should take employees, business partners, customers, society and the environment into account in its decisions.

²⁶ Article 22 of the CBPCG.

²⁷ Article 25 of the CBPCG.

²⁸ Generally three to five members, as defined in the *Continental Europe Benchmark Policy Guidelines*.

²⁹ Article 37 of the CBPCG, Article 698(2)3(2) of the CO, and Article 95(3)a of the Swiss Constitution (*Bundesverfassung der Schweizerischen Eidgenossenschaft*).

³⁰ Article 733(5) of the CO.

duties and responsibilities of the compensation committee in the articles of association so long as such provisions do not contradict Swiss law, the Benchmark Policy guidelines, and general principles of good governance.

Audit Committee

For an audit committee to function effectively on investors' behalf, it must include members with sufficient knowledge to diligently carry out their responsibilities. Many investors believe that companies should clearly outline the skills and experience of the members of the audit committee, and that shareholders should be wary of audit committees that include members that lack the requisite expertise.

With regard to the composition and expertise represented in the audit committee, the CBPCG recommends the audit committee chair should not simultaneously chair the board of directors. Further, the CBPCG recommends that the majority of audit committee members, including the chair, should be experienced in financial and accounting or auditing matters.³¹ In addition, audit committee members should have relevant competences in the areas of compliance, risk management or non-financial reporting depending on the company's risk profile and needs.³²

The Benchmark Policy may recommend that shareholders vote against the re-election of the audit committee chair and/or other committee members standing for re-election when the director biographies and disclosure provided by a company do not allow for the determination of financial/auditing expertise.

Election Procedures

The Benchmark Policy's approach to election procedures at Swiss companies is not materially different from that contained in the *Continental Europe Benchmark Policy*. According to Swiss law, the board chair and all directors must be elected individually by shareholders at the annual general meeting for terms that may not exceed one year.³³ Additionally, members of the compensation committee must be elected on an annual, individual basis.³⁴

If a nominee is up for election to both the board and the compensation committee, the Benchmark Policy will generally recommend voting against both election proposals whenever a concern regarding the director's performance on the committee, the independence of the committee or any other concern would otherwise lead to an against recommendation.

³¹ Article 22 of the CBPCG

³² *Ibid.*

³³ Article 95(3)a of the Swiss Constitution (*Bundesverfassung der Schweizerischen Eidgenossenschaft*).

³⁴ *Ibid.*

Transparency and Integrity in Financial Reporting

In Switzerland, shareholders are asked to vote on a number of proposals regarding the audited financial statements, the appointment of auditor³⁵ and the allocation of profits or dividends³⁶ on an annual basis. The Benchmark Policy's approach to these matters is not materially different from that contained in the *Continental Europe Benchmark Policy*.

Accounts and Reports

As a routine matter, Swiss company law requires that shareholders approve a company's annual and consolidated financial statements, within the six months³⁷ following the close of the fiscal year, in order for them to be valid.³⁸

Non-Financial Reporting

Following the revision of the Code of Obligations, effective since January 1, 2023, Swiss law requires publicly-listed companies with more than 500 full-time employees to disclose additional non-financial information on material ESG aspects.³⁹

Specifically, a company's non-financial report must comprise the following:

- A description of the policies adopted in relation to environmental, social and employee issues, as well as human rights and corruption, including any due diligence applied on these matters;
- A presentation of the measures taken to implement the aforementioned policies and an assessment of their effectiveness;
- A description of the main risks related to these issues and how the company is dealing with them, covering in particular: (i) risks arising from the company's own business operations and (ii) risks arising from its business relationships and its products and services, provided these are "relevant and proportionate".⁴⁰

Furthermore, with regard to climate-related matters, companies have also been subject to a separate Climate Ordinance, since January 2024.

On each of the above points, companies have to comply with the disclosure requirements or provide a justification for the lack of disclosure (comply-or-explain basis).⁴¹

³⁵ Article 698(2.2) of the CO.

³⁶ Article 698(2.4) of the CO.

³⁷ Article 699(2) of the CO.

³⁸ Article 698(2.3) of the CO.

³⁹ Article 964a of the CO and Article 964b(1) of the CO.

⁴⁰ Article 964b(1 and 2) of the CO.

⁴¹ Article 964b(5) of the CO.

Companies may opt to utilise national, European or international reporting frameworks, as long as the aforementioned disclosure requirements are fulfilled.⁴² The CBPCG recommends companies be guided by internationally recognised standards and rules as appropriate.⁴³ With regard to climate-related issues, the Climate Ordinance stipulates that companies reporting in line with the TCFD framework are to be considered automatically compliant with the relevant requirements.⁴⁴

While external assurance on the non-financial report is currently not a legal requirement in Switzerland, the CBPCG recommends external audits on the report and the integration of this process into the internal controls of the company.⁴⁵ The local market practice indicates that companies increasingly seek limited assurance by an independent external auditor on either the full non-financial report or selected indicators within the report. In cases where a company's statutory auditor has refused to provide an opinion, has provided a qualified or adverse opinion on the non-financial statements or reports, the Benchmark Policy may, on a case-by-case basis, recommend that shareholders oppose the proposal to approve a company's non-financial reporting.

Further reporting and due diligence obligations apply to companies that, throughout their supply chain, source metals and minerals from conflict areas or source raw materials or goods from areas where there may be a risk of child labour.⁴⁶

Since 2024, companies have to offer shareholders a separate vote on the non-financial report at the annual general meeting.⁴⁷ While the law does not specify the legal effects of the vote, companies are liable of fines in case of false statements, omissions or negligence in producing the non-financial report.

The Benchmark Policy will generally recommend that shareholders vote for proposals to approve a company's non-financial reporting, unless any of the following apply: (i) the company has failed to make the report publicly-available with sufficient time for shareholder review prior to the general meeting;⁴⁸ (ii) the company has failed to provide a sufficient response to material controversies in its reporting; (iii) there are material concerns regarding the completeness and/or quality of the reporting;⁴⁹ or (iv) the company is listed on a blue-chip or mid-cap index and has failed to disclose its Scope 1 and 2 emissions.⁵⁰

In addition, for large-cap companies and in instances where material ESG oversight concerns have been identified, an additional review will be conducted of the manner in which the board oversees ESG issues. In instances where the board has failed to provide explicit disclosure concerning its role in overseeing material ESG

⁴² Article 964b(3) of the CO.

⁴³ Article 34 of the CBPCG.

⁴⁴ Article 3 of the Ordinance on Climate Disclosures.

⁴⁵ *Ibid.*

⁴⁶ Articles 964d and 964j of the CO. According to Article 6 of the Provision on Due-Diligence in the Supply Chain, this requirement only applies to companies with more than 250 full time employees.

⁴⁷ Article 964c of the CO.

⁴⁸ Swiss market practice foresees relevant disclosures to be made publicly available at least 21 days prior to a general meeting. Where the report has not been made available with sufficient time for shareholder review, the Benchmark Policy will generally recommend that shareholders abstain from voting on the report.

⁴⁹ E.g., in cases where the independent auditor refuses to provide an opinion, or provides a qualified or adverse opinion, on the non-financial reporting.

⁵⁰ Article 964b of the Swiss Code of Obligations require companies to report on a number of non-financial issues, including CO₂ emissions. This policy will apply to companies listed on the Swiss SMI or SMIM indices.

issues, the Benchmark Policy may recommend that shareholders vote against the approval of the company's non-financial reporting in addition to, or instead of, a recommendation to vote against accountable directors.⁵¹

Appointment of Auditor

In Switzerland, the general meeting must approve the appointment of the statutory auditor.⁵² The auditor's responsibilities include carrying out the financial audit, reviewing the proposed allocation of profits, verifying the existence of a risk-control system and, if applicable, auditing the compensation report.⁵³

To maintain independence and impartiality, auditors need to rotate the lead audit partner at least every seven years.⁵⁴

The Benchmark Policy's approach to the appointment of the auditor does not differ materially from that contained in the *Continental Europe Benchmark Policy*. Swiss companies are not legally required to seek annual shareholder approval of the authority to set auditor fees. However, in line with the *Continental Europe Benchmark Policy*, the transparency regarding the breakdown of fees paid to the auditor for audit and non-audit services is critical for shareholders' ability to assess an auditor's relationship with a company.

In addition, although Swiss law does not require regular audit firm rotation, many investors acknowledge the significance of preserving the independence and objectivity of audit firms by conducting periodic evaluations and considering potential modifications to audit mandates.

Accordingly, the Benchmark Policy may recommend shareholders vote against the (re-)appointment of the proposed auditor firm when companies do not provide disclosure on the tender process of the audit contract, and/or a timeline for tendering the audit contract, and/or a compelling justification for not having conducted a tender, especially when the audit firm's tenure exceeds 20 years. In determining whether shareholders would benefit from rotating the company's audit firm, the Benchmark Policy may consider other factors indicating potential concerns with the performance of the auditor.

Independent Proxy

Shareholders at all Swiss companies must approve the appointment of an independent proxy on an annual basis.⁵⁵ Many investors view this as a routine voting item and the Benchmark Policy will recommend shareholders support such proposals. All shareholders who will not attend the meeting in person should carefully consider whether they wish to either use the proposed independent proxy to act on their behalf, or to appoint an independent proxy of their choice.

⁵¹ Please refer to the "Board-Level Oversight of Environmental and Social Risk" section of these guidelines.

⁵² Article 698(2) of the CO.

⁵³ Article 728a(2) of the CO.

⁵⁴ Article 730a(2) of the CO.

⁵⁵ Article 95(3)a of the Swiss Constitution (*Bundesverfassung der Schweizerischen Eidgenossenschaft*) and Article 689c(1) of the CO.

Authorising a Proxy to Vote on Ad Hoc Proposals

In Switzerland, shareholders may be asked to authorise a proxy to vote on any new proposals presented by shareholders or the board of directors which are not included in the agenda for the meeting. The Benchmark Policy generally recommends that shareholders abstain from voting on any potential additional or amended shareholder proposals and oppose any potential additional or amended board proposals.

The Link Between Compensation and Performance

Following the March 2013 approval of the Minder Initiative — also known as the referendum “against rip-off salaries” — public companies headquartered in Switzerland or that have shares traded on Swiss exchanges must comply with stringent constitutional requirements regarding the compensation of both executive and board members. Most notably, certain payments to executives are prohibited by Swiss law and shareholders are required to approve executive and board compensation.

With the exception of these issues, which are described below, the Benchmark Policy’s approach to executive compensation is not materially different from what is outlined in the *Continental Europe Benchmark Policy*.

Contents of Compensation Report

As a result of the legal structure outlined above, Swiss companies must draw up annual compensation reports which are subject to the reporting principles and accounting provisions applicable to companies’ annual reports and financial statements.⁵⁶ The compensation report must similarly be audited by a company’s independent auditor, and both the report and the auditor’s findings must be published and available to shareholders at least 20 days prior to a company’s annual general meeting.⁵⁷ While the Swiss Code of Best Practice for Corporate Governance includes some broad principles and guidelines for the drafting of a compensation report, these are considerably less prescriptive than the specific legal requirements to which most Swiss companies are subject.

A company’s compensation report must include all direct and indirect payments to current members of the executive committee, the board of directors and the advisory board during the year under review.⁵⁸ The report must also include all payments made to former members of these corporate bodies if said payments relate to individuals’ previous employment, though this excludes pension payments, disability insurance and life insurance.⁵⁹ All awards received by members of these corporate bodies — which include a base salary, bonus payments, equity awards, in-kind benefits, pension expenses and payments for additional services — must be included in the compensation report,⁶⁰ and the total remuneration paid to each member of the board of directors and the advisory board must be disclosed on an individual basis.⁶¹ Further, the compensation report should provide details of total compensation paid and granted to the executive committee as a whole and the details of payments made to its most highly paid member.⁶²

Similarly, a compensation report must include individualised information regarding outstanding loans and credit granted to members of these corporate bodies, as well as individualised information regarding outstanding

⁵⁶ Article 734 of the CO.

⁵⁷ Article 734(3) of the CO.

⁵⁸ Article 734a(1)(1-3) of the CO.

⁵⁹ Article 734a(1)(4) of the CO.

⁶⁰ Article 734a(2) of the CO.

⁶¹ Article 734a(3)(1, 3) of the CO.

⁶² Article 734a(3)(2) of the CO and Article 42 of the CBPCG.

loans and credit granted to former members of these corporate bodies, when said arrangements were not made in accordance with market standards.⁶³

Additionally, the compensation report must include information regarding direct and indirect payments made to parties closely related to members of the executive committee, board of directors and advisory board if said payments are not made in accordance with market standards,⁶⁴ though when documenting these transactions, the identities of the related parties need not be given.⁶⁵ Where directors have received significant payments through related party transactions or loans not made in accordance with market standards and their identities are not disclosed, the Benchmark Policy may recommend voting against the compensation committee chair.

Following the adoption of the amended Code of Obligations, the compensation report needs to include, among other things: (i) external mandates of executive committee members;⁶⁶ (ii) disclosure related to the comply-or-explain gender diversity targets for executive and non-executive directors;⁶⁷ and (iii) participation rights and option of such rights (currently to be displayed in financial statements).⁶⁸

Compensation Elements Governed by Law and Articles of Association

Board members and executives in Switzerland are prohibited from receiving severance packages, sign-on bonuses, payments in advance, or transaction bonuses related to the takeover or transfer of business units.⁶⁹ However, the following payments continue to be allowed under the law: (i) termination payments which executives are owed upon termination under a maximum notice period of one year; and (ii) payments made upon joining a company to compensate for the loss of compensation from a previous employer ("replacement awards" or "buy-outs").⁷⁰ Where such payments are made, the Benchmark Policy will carefully evaluate the terms thereof and sets the expectation for a reasonable level of disclosure to be provided by companies.

According to the updated Code of Obligations, post-termination non-competition payments must be capped at the executive's average total annual compensation for the three preceding fiscal years.⁷¹ As such, the Benchmark Policy sets the expectation that companies clearly disclose the terms of any non-compete agreements with members of the executive committee and provide meaningful disclosure on any proposed changes to such agreements.

Swiss companies have to amend their articles of association in order to codify the compensation payable to members of the executive committee, board of directors and advisory board. Such provisions must include a description of the principles governing the allocation of performance based and/or equity-based incentives.⁷²

⁶³ Article 734b(1) of the CO.

⁶⁴ Article 734c(1) of the CO.

⁶⁵ Article 734c(2) of the CO.

⁶⁶ Article 734e of the CO.

⁶⁷ Article 734f of the CO.

⁶⁸ Article 734d of the CO.

⁶⁹ Article 95(3)b of the Swiss Constitution (*Bundesverfassung der Schweizerischen Eidgenossenschaft*) and Article 735(c) of the CO.

⁷⁰ Article 735c(4) of the CO.

⁷¹ Article 735c(2) of the CO.

⁷² Article 95(3)c of the Swiss Constitution.

Where a company seeks to amend these provisions, such amendments will be carefully evaluated as part of the Benchmark Policy analysis. Loans, credits, pension payments, and any performance-based compensation or equity payments and options are also forbidden if not governed by a company's articles of association.⁷³

Best Practice Disclosure

In addition to the above requirements and recommendations, the Benchmark Policy will consider the general alignment of the compensation report of a Swiss company with international best practice.

In particular, Swiss companies often disclose the compensation of non-CEO executives on aggregate, due to the requirement outlined above, which mandates individual disclosure only for the company's highest-paid executive. Nonetheless, the absence of individual remuneration disclosure for the whole executive committee represents a deviation from international best practice. As such, where pay is disclosed only on aggregate for other executives than the highest-paid executive, companies should at least disclose the exact amount of any extraordinary individual allocation, if present (e.g., one-off bonuses, replacement awards, non-competition payments, payments for interim roles).

Moreover, Swiss companies often disclose the value of long-term awards in terms of grants made during the reporting year, while disclosure of the value of long-term awards vested during the reporting year is not always present. In line with best practice and investors' expectations, providing this information would better serve shareholders' interests and foster the transparency of the incentive system.

Votes on Executive Compensation

Binding Amounts

In Switzerland, all annual meetings must hold separate votes on the compensation of the executive committee, the board of directors,⁷⁴ which are both annual⁷⁵ and binding.⁷⁶ Outside of these provisions though, companies have some freedom in choosing how to conduct compensation votes at annual meetings. A company's articles of association must describe the company's procedures regarding how compensation votes are held,⁷⁷ specifically whether votes on aggregate compensation amounts are prospective or retrospective in character. In the case of variable compensation, prospective votes define a maximum budget payable during an upcoming fiscal year; retrospective votes approve levels of compensation based on executives' attainment of performance objectives.

⁷³ Article 735c(7-8) of the CO.

⁷⁴ Article 735(3)2 of the CO and Article 95(3)a of the Swiss Constitution (*Bundesverfassung der Schweizerischen Eidgenossenschaft*). While the same provision applies also to advisory boards, such boards are rarely present at Swiss listed companies.

⁷⁵ Article 735(3)1 of the CO.

⁷⁶ Article 735(3)3 of the CO.

⁷⁷ Art. 626(2)4 and 735(2) of the CO.

Retrospective votes on variable executive compensation generally allow for a more meaningful review of the pay-for-performance link. Where a company opts for prospective votes on executive compensation, the Benchmark Policy will consider the overall compensation structure, the appropriateness of individual incentive limits and past granting practices before recommending in favour of the aggregate executive compensation amount. Further, shareholders asked to approve compensation on a prospective basis may reasonably expect particularly comprehensive disclosure, including the intended breakdown of the amount between the different compensation elements and a discussion of the determination process leading to the total figure.

Additionally, the calculation of a maximum variable compensation budget for the purpose of a prospective binding vote may account for the maximum value of long-term *grants*, rather than the maximum payout opportunity of long-term awards *at vesting* (conversely, the value of short-term incentives is always included as maximum payout opportunity). Given investor expectations on transparency and comparability, accounting for a long-term incentive at maximum payout opportunity is preferable; however, should a company opt to account for a long-term incentive at maximum *grant* value, this choice should be made clear in the Notice of Meeting.

"Zusatzbetrag"

If a company opts to submit executives' compensation for approval prospectively, the articles of association may include guidance on the allocation of specific additional compensation ("*Zusatzbetrag*") for external appointments to the executive committee that may occur⁷⁸ after a prospective vote; this additional amount is designated for use on an interim basis, until such time as a vote can be held at the following annual general meeting.⁷⁹ Concerns regarding an executive's compensation are generally expressed at the annual meeting following the individual's appointment, so that the pay-performance link can be evaluated in a more meaningful manner.

Compensation Report

Companies may opt to continue holding advisory votes on their compensation practices in addition to the aforementioned binding votes. Offering a separate advisory vote on the compensation report is in line with the market best practice in Europe. Such a vote enables shareholders to express their concerns regarding the overall executive compensation system by taking a broader view of a company's compensation policies.

In fact, pursuant to the updated Code of Obligations, since 2023, companies offering the vote on variable executive compensation on a fully prospective basis are mandated to also offer a separate advisory vote on the compensation report.⁸⁰

The Benchmark Policy will continue to evaluate companies' compensation practices and policies as presented in the compensation report even if shareholders are only presented with votes on executives' aggregate compensation, regardless of whether such votes are prospective or retrospective in nature. Where a company has provided shareholders with an advisory vote on the compensation report, the Benchmark Policy's voting recommendation for the binding proposal(s) will generally focus on the appropriateness of the amount(s)

⁷⁸ Art. 735a(1) of the CO.

⁷⁹ Article 735a of the CO.

⁸⁰ Article 735(3)4 of the CO.

requested, recommending shareholders to utilise the non-binding proposal to voice any concern with the overall compensation structure or disclosure, unless a voting escalation is deemed appropriate.

Best Practice Recommendations

The Benchmark Policy evaluates say-on-pay proposals pursuant to policies that do not deviate materially from the *Continental Europe Benchmark Policy Guidelines*. The Swiss Code of Best Practice sets out very general recommendations for best practices regarding executive compensation, emphasising the following guidance:⁸¹

- Executive compensation policies should include fixed and variable components with a focus on medium and long-term sustainability;
- Variable executive compensation may be linked to compliance or sustainability indicators;
- The board of directors should provide for share-based compensation in order to align executives' interests with those of long-term shareholders. In case the board decides to award deferred cash-based payments, the board should take appropriate performance criteria into account;
- Incentive payments should be reduced or cancelled if targets are not met;
- Employment contracts may provide for clawback provisions;
- Pay amounts should be set in consideration of the location of the company and in consideration of its stakeholders; and
- The compensation report should describe in detail the main criteria and mechanisms used in assessing and evaluating the variable elements of compensation.

When assessing an executive compensation system, its disclosure and any amendments proposed or implemented during the year, absent any egregious practice or deviation from the aforementioned requirements, the Benchmark Policy will focus its recommendation on the overall "direction of travel" demonstrated by the company, i.e., the effect of changes in relation to best practice, the improvement or deterioration of disclosure.

Further, in line with the *Continental Europe Benchmark Policy Guidelines*, the Benchmark Policy sets the expectation that companies explicitly respond to any significant shareholder dissent to any compensation proposals from the prior year's general meeting.

Conditional Capital Reserved for Equity-Based Compensation

In Switzerland, shareholders do not directly vote on equity compensation plans but rather are asked to approve the underlying authority to increase the company's conditional share capital.⁸² As described above, the terms and conditions of equity awards are defined in a company's articles of association. Any amendments to plan structures must be accomplished through a separate vote on amending a company's articles.

⁸¹ Articles 39 through 42 of the CBPCG.

⁸² Article 653 of the CO.

Companies may also acquire the necessary shares through a repurchase programme, or through capital increases. In most cases, Swiss companies opt for an increase in conditional capital, which may be valid for a period of up to five years and must be included in a company's articles of association.⁸³ In order to protect shareholders from excessive dilution, the Benchmark Policy sets the expectation for authorities for the purpose of servicing equity-incentive plans to fall under 5% of a company's total issued share capital for executives, or under 10% of issued share capital for all participants (if other employees are included) in line with established market practice.

⁸³ *Ibid.*

Governance Structure and the Shareholder Franchise

In Switzerland, shareholders are asked to approve proposals regarding a company's governance structure, such as the ratification of board acts and amendments to the articles of association. While the principal characteristics of these types of proposals encountered in Switzerland are outlined below, the Benchmark Policy's approach to these issues is not materially different from that contained in the *Continental Europe Benchmark Policy*.

Ratification of Board Acts

Pursuant to Swiss law, shareholders can release board members from liability with respect to a specific period of time or a particular business transaction.

The discharge from liability is binding for those shareholders who voted in favour of the proposal and can hinder legal claims against board members. In fact, it protects directors against claims for damages even though such claims are based on wilful misconduct, fraud or criminal offences. However, directors can still be liable towards third parties under criminal law. Furthermore, the discharge is valid only with respect to facts that have been fully disclosed.

Shareholders who did not approve the ratification of board acts or who acquired shares following the ratification can file claims against the board within 12 months from the adoption of the relevant proposal.⁸⁴

Market best practice in Switzerland indicates a preference towards the ratification of board acts to be presented as a separate voting item for each individual board member in cases where there are known shareholder concerns regarding the board or an individual member's performance during the past fiscal year. Where substantial concerns regarding the performance of (an) individual director(s) exist and shareholders are not provided with individual ratification votes, the Benchmark Policy will generally recommend that shareholders oppose ratification for the entire board. If there are cases where ongoing investigations or proceedings may cast significant doubt on the performance of the board in the past fiscal year, but when the potential outcome of such investigations or proceedings is unclear at the time of convocation of the general meeting, the Benchmark Policy will generally recommend that shareholders abstain from voting on such ratification proposals. In cases where abstain votes are neither counted as valid votes cast nor displayed in the minutes of general meetings, the Benchmark Policy will generally recommend that shareholders vote against ratification proposals under the aforementioned circumstances.

Absent compelling evidence that the board has failed to satisfactorily perform its duty to shareholders in the past fiscal year, the Benchmark Policy generally recommends that shareholders approve ratification proposals.⁸⁵

⁸⁴ Article 758 of the CO.

⁸⁵ Recommendations on the ratification of board acts are taken on a case-by-case basis. The general conditions for recommendation against such proposals are detailed in the *Continental Europe Benchmark Policy Guidelines*.

Restrictions on Transferring Shares/Number of Votes

The articles of association of many Swiss companies allow for entrenched management by limiting the number of registered shares that may be transferred, by setting a limit beyond which the shareholder cannot register their shares, or by limiting the number of votes that a shareholder can represent, irrespective of the number of shares they may own.

Additionally, the articles of association of some Swiss companies specify shareholders may be restricted in the number of votes they may represent at a general meeting.⁸⁶ In accordance with the *Continental Europe Benchmark Policy*, the Benchmark Policy recommends that shareholders vote against any proposal that increases restrictions on shareholders.

Right of Shareholders to Call a Special Meeting

Following the adoption of the amended Code of Obligations, shareholders holding at least 5% (previously: 10%) of a company's share capital are entitled to call a shareholder meeting; however, lower thresholds may be set in a company's articles of association.⁸⁷ When a company's board proposes to lower this threshold, the Benchmark Policy will generally recommend supporting the proposal.

Virtual Shareholder Meetings

Pursuant to the revised Code of Obligations, companies are granted more flexibility in the organisation of the general meeting. In particular, the revised Code of Obligations allows companies to convene a general meeting on a virtual-only basis by utilising electronic means. In order to avail of this option, Swiss companies must first receive shareholder approval for amending its articles of association accordingly.⁸⁸

Following the implementation of the required amendment to the articles of association, the general meeting can be held without a physical meeting place.⁸⁹

In that case, the board will have the authority to determine the usage of electronic means required to participate in the meeting.⁹⁰ In addition, the board will be required to ensure that the identity of the participants is verified, that votes are transmitted in real-time, that shareholders are able to submit motions and participate in discussions, and that voting results cannot be manipulated.⁹¹

Many investors believe that virtual meeting technology can be a useful complement to a traditional, in-person shareholder meeting by expanding participation to shareholders who are unable to attend a meeting in person (i.e., a "hybrid meeting").

⁸⁶ Article 692(2) of the CO.

⁸⁷ Article 699(3) of the CO.

⁸⁸ Article 701d(1) of the CO.

⁸⁹ *Ibid.*

⁹⁰ Article 701e(1) of the CO.

⁹¹ Article 701e(3) of the CO.

With regards to virtual-only shareholder meetings, many investors believe that clear procedures should be set and disclosed to ensure that shareholders can effectively participate in the meetings and meaningfully communicate with the company's management and directors.

The Benchmark Policy's approach to virtual shareholder meetings does not differ materially from that contained in the *Continental Europe Benchmark Policy*.

Disclosure of General Meeting Vote Results

Many investors believe that companies should broadly and publicly disclose in a timely manner the vote results from general meetings.⁹² Access to detailed vote results from general meetings is important for shareholders in conducting their stewardship duties. Specifically, the disclosure of vote results assists shareholders in gaining a better understanding of the outcome of general meetings, establishing engagement priorities, and tracking companies' responses to material (minority) shareholder dissent on any of the agenda items. The non-disclosure of vote results can serve to disenfranchise minority shareholders, in particular at companies with a multi-class share structure or a controlling shareholder.

In Switzerland, the disclosure of vote results from a shareholder meeting represents an established best practice. Accordingly, a concern will be noted in the analysis of the composition of boards of directors at companies that do not disclose vote results from their previous annual meeting. At companies listed on the SMI or SMIM index that did not disclose vote results from their previous annual meeting, the Benchmark Policy would generally recommend that shareholders vote against the re-election of the chair of the governance committee or equivalent (i.e., board chair or Lead Independent Director).

However, according to the revised Code of Obligations, since January 2023 Swiss companies have been mandated to disclose vote results, in exact percentages, within 15 days of the annual general meeting.⁹³

⁹² CII Policies on Corporate Governance, 4.4.

⁹³ Article 702(5) of the CO.

Capital Management

In Switzerland, shareholders are rarely asked to approve share or convertible bonds issues, or to repurchase and reissue shares. More frequently, shareholders have been asked to approve a pool of authorised, but unissued, shares, which the board could use at its discretion. Following a revision of Swiss law effective since January 1, 2023, shareholders may be asked to approve a so-called “capital band” to authorise the board to decrease or increase a company’s share capital within certain limits. Authorities to increase share capital on a conditional basis, such as in conjunction with issuances of debt instruments or to service equity incentive plans, may exist on a standalone basis or integrated into the aforementioned capital-band authority. While the principle characteristics of these types of proposals encountered in Switzerland are outlined below, the Benchmark Policy’s approach to these issues is not materially different from that contained in the *Continental Europe Benchmark Policy*.

Capital Band

According to the revised law, shareholders may delegate the power to increase and/or decrease the share capital to the board.⁹⁴ Notwithstanding the aforementioned, shareholders must approve the length of the authority, which cannot exceed five years,⁹⁵ and the range of the capital band. Pursuant to the law, in fact, the capital band must contain a limit on potential capital increases which cannot exceed 50% of the issued share capital at the time of the approval, and a limit on potential capital reductions which also may not exceed 50% of the issued share capital at the time of the approval.⁹⁶

In line with the *Continental Europe Benchmark Policy Guidelines*, the Benchmark Policy will generally recommend voting against any authority to issue shares for general corporate purposes which does not preserve preemptive rights above 20% of current issued share capital; further, best practice foresees inclusion by a company of a common cap on all general authorities to issue shares. Accordingly, the Benchmark Policy will recommend voting against any capital band authority allowing for share issuances without preemptive rights exceeding 20% of the share capital at the time of the issuance. In assessing the potential dilution to existing shareholders, the Benchmark Policy would take into account that, within the flexibility granted by the new capital band, companies may choose to first reduce their share capital down to the limit set in the proposed authority and only afterwards issue new shares without preemptive rights. With this second transaction, however, the company would be able to increase its share capital up to the original ceiling of the capital band, which was determined at the time of the authority’s approval and therefore based on the company’s share capital prior to the reduction. As a consequence, the capital increase could effectively result in a higher dilution to existing shareholders compared to the maximum upward percentage initially set out in the capital band proposal.

Exceptions to this policy may be granted if companies provide a commitment that issuances without preemptive rights are nevertheless capped at 20% of the share capital at the time of any issuance across all previously

⁹⁴ Article 653s(1) of the CO.

⁹⁵ Article 653s(1) of the CO.

⁹⁶ Article 653s(2) of the CO.

existing or proposed capital authorities (including conditional capital authorities, but excluding authorities reserved for unique purposes such as equity incentive plans).

Conditional Capital

In conjunction with issuances of convertible debt instruments with options to convert into shares, or other types of share option grants, a company may request that shareholders approve a conditional increase in share capital in order to fulfil the company's obligations to bond or option holders. Swiss companies may also propose conditional capital authorities in order to provide access to shares to be issued under equity-based compensation plans for executives (see "Conditional Capital Reserved for Equity-Based Compensation").

Authorities to conditionally increase a company's share capital may be integrated into the capital-band authority or be implemented on a standalone basis.

Pursuant to Swiss law, the conditional increase in the share capital cannot exceed 50% of the existing share capital.⁹⁷ In line with the *Continental Europe Benchmark Policy*, the Benchmark Policy recommends voting against any conditional capital proposal that does not preserve preemptive rights for share issues in excess of 20% of current issued capital. The Benchmark Policy will recommend voting against any proposal that does not explicitly extend a 20% cap on share issues without preemptive rights to general authorities to issue shares previously existing and/or proposed at the meeting, other than those reserved for unique purposes such as equity incentive plans.

Authority to Repurchase Shares

If Swiss companies intend to buy back shares, the number of shares which may be repurchased is limited to 10% of the company's capital (or 20% if registered shares are repurchased under a share transfer restriction agreement and are specifically designated to be cancelled).⁹⁸ While companies are not required to seek shareholder approval of the buyback programme, they must seek shareholder approval of the allocation of reserves to a fund to be used for a buyback programme, if it does not have sufficient available reserves. In practice, many Swiss companies voluntarily submit share buyback programmes for prospective shareholder approval. The Benchmark Policy will recommend voting for such proposals when there are no concerns regarding the planned buyback programme identified.

Authority to Cancel Shares and Reduce Capital

Pursuant to Swiss law, companies cannot hold more than 10% of their share capital as treasury stock, or 20% if the additional shares are acquired under a share transfer restriction agreement, unless otherwise approved by shareholders. Accordingly, if the 10% limit is exceeded, companies are required to cancel the excess shares within a two-year period.⁹⁹

⁹⁷ Article 653a of the CO.

⁹⁸ Article 659 of the CO.

⁹⁹ Article 659(3) of the CO.

Companies occasionally seek shareholder approval to hold shares in treasury in excess of these legal limits. The Benchmark Policy will support such proposals only when a company states that any treasury shares held in excess of 20% of the company's issued capital are intended to be cancelled and there are no other concerns regarding the buyback programmes identified.

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