

# The Swiss Stock Exchange

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# Investor Relations Handbook

Fundamentals, Instruments, Practice  
**5<sup>th</sup> edition**

**SIX**



# Doing the Right Thing and Knowing Why

Dear readers

Sustainability as a megatrend, financial crisis, stock market boom, the coronavirus pandemic, the war in Ukraine – during the ups and downs of the stock markets, the importance of the relations between companies and investors, what we call Investor Relations (IR), has grown significantly over the past two decades. The increased need for information, stricter regulations, and greater transparency demand specific specialist knowledge in how to communicate with the financial market. The quality of a company's IR exerts a direct influence on investment behavior and the share price.

This practical handbook shows how IR officers can deal with these challenges and what instruments Investor Relations provides for this. This handy companion describes the current status of specialist knowledge and offers an insight into professional IR as a part of corporate strategy.

In addition, since the end of 2022, the handbook has included the chapter "IR & Sustainability". It contains several contributions from sustainability experts that are relevant for listed companies. The focus topics are intended to answer questions that have emerged in numerous discussions with representatives from various companies.

**"On the stock market, it's about doing the right thing without knowing why",** as the saying goes. How companies can do the right thing on the stock market and also know why they are doing the right thing will be made clearer by reading this companion.

Your Issuer Relations team, Primary Markets, Swiss Stock Exchange

## P.06

### 1.0 Strategic Relevance of Investor Relations

1.1	Origins	8
1.2	Definition and Objectives	9
1.3	IR Projects of Strategic Relevance	11
1.4	IR Strategy	18
1.5	IR Planning	22
1.6	Tips	24

## P.26

### 2.0 Content of Investor Relations

2.1	Themes and Equity Story	28
2.2	Communication of the Corporate Strategy	32
2.3	Figures and Transparency	33
2.4	Qualitative Factors	35
2.5	Corporate Governance and Management Compensation	37
2.6	Tips	40

## P.41

### 3.0 Financial Guidance

3.1	Pros and Cons	43
3.2	Financial Guidance in Switzerland	45
3.3	Concept of Financial Guidance	47
3.4	Dealing with Profit Warnings, Profit Collapses and Profit Hikes	47
3.5	Tips	49

## P.50

### 4.0 Core Target Group Investors

4.1	Type and Investment Styles	52
4.2	Investor Targeting	54
4.3	IR Databases	55
4.4	Shareholder Identification	55
4.5	Bridge – Connecting issuers with the buy side	56
4.6	Where Investors Come From	57
4.7	Investors in Switzerland	58
4.8	Proxy Advisors	61
4.9	Tips	62

## P.64

### 5.0 Equity Research

5.1	Types and Role	66
5.2	Expanding Research Coverage	68
5.3	The SIX “Stage” Program	68
5.4	Dealing with Analysts	69
5.5	Swiss Equity Research	70
5.6	Tips	72

## P.73

### 6.0 IR Activities

6.1	One-on-One Meetings	75
6.2	Roadshow	76
6.3	Investor Conferences	77
6.4	IR Presentation	78
6.5	IR Conference Call/Video Conference	79
6.6	Annual and Interim Reports	80
6.7	Website	81
6.8	Media Releases	82
6.9	Annual General Meeting	83
6.10	Social Media	84
6.11	Tips	85

## P.87

---

### 7.0 Monitoring the Market and Measuring Success

7.1	Market Monitoring	89
7.2	Measuring Success	90
7.3	Perception Studies	94
7.4	Tips	95

## P.97

---

### 8.0 Regulatory Environment, Rules and Reporting at SIX

8.1	Relevant Regulators	99
8.2	Listing and Admission to Trading	101
8.3	Recurring and Event-related Obligations	102
8.4	Corporate Reporting	103
8.5	Regular Reporting	107
8.6	Ad hoc Publicity	109
8.7	Disclosure of Management Transactions	115
8.8	Disclosure of Shareholdings	116
8.9	Exploitation of Insider Information and Market Manipulation	117
8.10	Stock Market Equivalence	119
8.11	New Corporate Law	120
8.12	Tips	122

## P.124

---

### 9.0 IR Organization

9.1	Organizational Chart and Classification	126
9.2	IR Officer Job Profile	127
9.3	External Support	129
9.4	Tips	130

## P.132

---

### ★ 10.0 IR & Sustainability

10.1	Why Is Sustainability Relevant for Investor Relations?	133
10.2	Double Materiality Analysis and KPIs	139
10.3	Swiss Law: Overview of Sustainability Requirements	144
10.4	Swiss Law: Deep Dive into Articles 964a-I CO	147
10.5	EU Regulatory Framework on Sustainability Reporting	155
10.6	How to Approach Disclosure Requirements across Jurisdictions	161
10.7	Expectations of International Investors	165

## P.170

---

### 11.0 Closing Word: What Is Investor Relations For?

## P.172

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### 12.0 Contacts and Addresses

12.1	SIX Issuer Relations Team, Primary Markets	173
12.2	SIX Exchange Regulation AG	174
12.3	IR club Schweiz	175

## P.176

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### 13.0 Index

## P.178

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### 14.0 Bibliography

1.0

# Strategic Relevance of Investor Relations



# In a Nutshell

Investor Relations is a field of action in strategic corporate communication. It describes the management by a stock corporation of its relations with investors.

The primary goal of IR is to optimize the company's market valuation or its equity financing.

Moreover, credible, reliable, and consistent information raises the profile and the basis of trust of companies and thus strengthens their market position.

IR takes on a strategic relevance in exceptional situations, such as transactions (M&A), the emergence of shareholder activists, and in crises.

The clearer the corporate strategy, the more efficient the implementation, and the more disciplined the deployment of capital and resources, the stronger the basis for financial communication.

Maintaining close relations with institutional investors also helps.

A strong IR and communication program starts with a good analysis. What strengths and weaknesses does the company have from an investor's perspective?

The actual and target status of the IR objectives is identified and the target groups, perception, instruments and communication principles are defined in the IR strategy. It is becoming ever more important for risk analyses, sustainability planning and business strategy to be run as integral processes.

The strategic issues involved in Investor Relations are operationalized and laid out on a timeline for the IR planning.

# 1.1 Origins

The roots of Investor Relations stretch back a long way. Here's a brief history.

On 24 January 1609, Isaac Le Maire, a merchant who knew every trick in the book, took up his pen and wrote a sharply worded letter to the Dutch East India Company (VOC), one of the largest trading companies of the 17th and 18th centuries (see Paul Frentrop and Joost Jonker in the → [Bibliography](#)). In it, he complained about the miserable corporate governance, the abuse of power by the management, the company's strategy and the poor treatment of the stockholders. Shareholder activism has been with us for over 400 years. Even today, this form of exerting influence is frequently still cause to strengthen Investor Relations or put them on a new footing.

The same applies for listings for similar reasons. **“New stock or bond flotations, upon which an expanding business must depend for its success, can be effected only if the concern has understood how to gain confidence and good will of the general public.”** This was written by Edward Bernays in his classic work *Propaganda*. Published in 1928, it was one of the first books to describe the fundamentals, meaning and purpose of corporate communication. The recognition that relations not only with investors but also with the wide public should be intensified and professionalized during and after the process of going public has been established for some time.

## Origin of the Term

While industrial icon General Electric (GE) had already developed a communication program especially for private investors in 1953, the term “Investor Relations” came to the fore in German-speaking countries only in 1968 with the dissertation by H.K. Hartmann. In Switzerland, Michael Drill produced a systematic review of the topic in a dissertation at the University of St. Gallen in 1995. His deliberations remain as topical today as they were back then, which is why credit is given to Drill in several presentations in this handbook. Kristin Köhler chronicled the history of IR in detail and linked it to the professionalization of the job of IR in her book that was published in 2015 (see → [Bibliography](#)).

## 1.2 Definition and Objectives

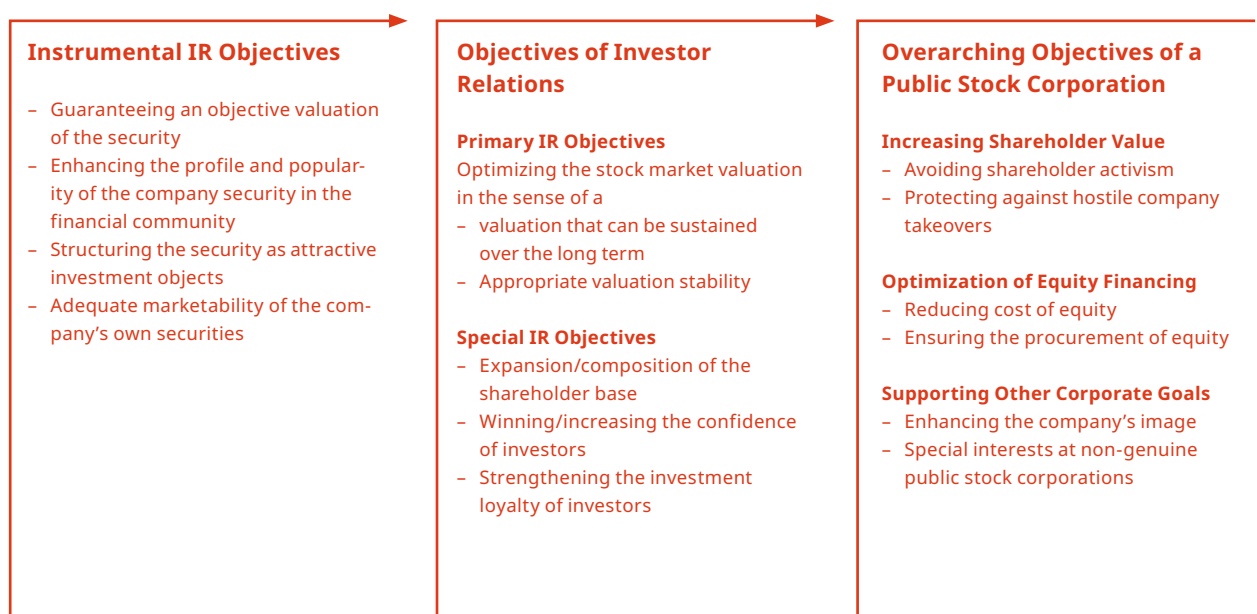
Investor Relations is a special discipline in corporate communication.

The National Institute of Investor Relations in the US defines the core of this activity as follows (definition from March 2003, see → [niri.org/about-niri](https://niri.org/about-niri)): **“Investor Relations is a strategic management responsibility that integrates finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a company, the financial community, and other constituencies, which ultimately contributes to a company’s securities achieving fair valuation.”**

This sentence encapsulates the objective: Investor Relations influence a company’s valuation. The recently revised definition put forward by the German professional IR association DIRK puts things more clearly in this respect (→ [www.dirk.org](https://www.dirk.org)): **“Investor Relations (IR) describes the strategic management task of establishing and nurturing relations of the company with existing and potential investors and lenders of equity as well as with capital market intermediaries.”**

The illustration below presents the target values of Investor Relations in more detail.

### Target Values of Investor Relations

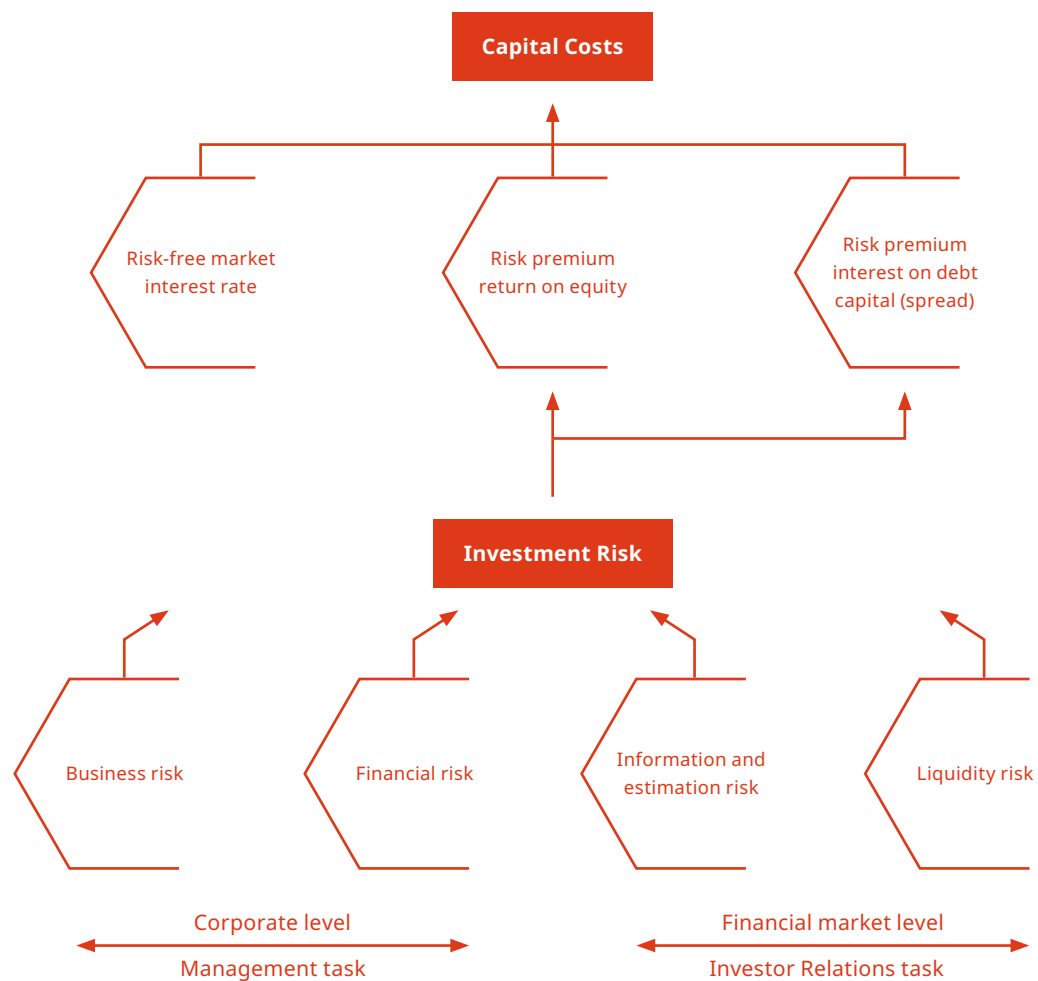


Investor Relations objectives, Source: Drill

One subtlety should be pointed out in the illustration below: A fair valuation is a means to an end, increasing shareholder value (a concept that has now become discredited, although the term remains accurate in its actual meaning as “enterprise value”). Investor Relations thus sets out to provide a transparent description of the status quo and to create realistic expectations in the sense of valuation levels that can be maintained as a maximum over the long term and the reasonable stability of that valuation. On the other hand, unrealistic forecasts and empty promises are not appropriate.

How the objectives of the communication policy described in the illustration can be achieved is described in more detail in this handbook. The illustration below presents the idea that management and communication tasks are interlinked.

**Reducing Capital Costs as an Objective of Investor Relations**



Fundamentals of Investor Relations, Source: Prof. Olaf Streuer

## 1.3 IR Projects of Strategic Relevance

Investor Relations has to be taken seriously in the day-to-day business, even if it is a less than spectacular topic.

The standard measures and the duties of communication are described in Chapters → **6** and → **8**. IR issues can very suddenly take on strategic relevance and rise to the very top of the list of priorities of the board of directors and the management on account of extraordinary company situations. A selection of situations of this kind is described below.

### 1.3.1 Listing/Spin-off

For the vast majority of companies, a listing is the trigger and starting point for establishing or professionalizing Investor Relations. From the perspective of institutional investors, who almost always form the most important target group during an initial public offering (IPO), a listing is a clearly defined process that involves valuing a company, making an investment decision, sounding out the supply and demand in cooperation with the syndicate banks, and defining a suitable price for a share package. Companies and the media may have an interest in magnifying the significance of this rational process and stirring up emotions for a variety of reasons. They do this through the media positioning of the company and its management. The tasks and processes involved in a listing, also those from a communication perspective, are presented in detail in the Going Public Guide published by SIX, see → [six-group.com/dam/download/the-swiss-stock-exchange/listing/equity/ipo/publication.pdf](https://six-group.com/dam/download/the-swiss-stock-exchange/listing/equity/ipo/publication.pdf)

IPO Guide → [six-group.com/dam/download/the-swiss-stock-exchange/listing/equity/ipo/six\\_ipo\\_guide\\_en.pdf](https://six-group.com/dam/download/the-swiss-stock-exchange/listing/equity/ipo/six_ipo_guide_en.pdf)

#### **IPO as the Basis for IR**

For that reason, we mention only briefly here that the listing lays the foundation for any kinds of IR activity. The cornerstone is laid in the IPO both in terms of all contents, specifically in the prospectus and the roadshow presentation (see → **Chapter 2** for more on this) and in terms of the investor or shareholder structure (→ **Chapter 4**). Furthermore, continual IR activities lay down in the first year after the listing how transparently and how frequently a company communicates its strategy, what it has achieved and what it is planning (see Chapters → **2** and → **3** on this). It is recommended that this be done on the basis of a concept and not on the spur of the moment (ad hoc).

## 1.3.2 Mergers and Acquisitions

Mergers and acquisitions, M&A for short, are a concrete element of strategy at many companies. This includes processes in connection with ownership rights in companies, including the restructuring of corporations, mergers, the financing of company acquisitions, the formation of joint ventures, and the takeover of companies.

The variety of premises involved in M&A activities is reflected in the different objectives and relevance of communications. The most frequent transactions are those in which the two parties come to a discreet agreement and set a joint course for the merger or acquisition. In addition to making preparations for dealing with any leaks of information, a coherent justification for the merger and the financing, and a technically flawless announcement and processing of the transaction, the task of IR consists primarily in being equipped to handle any criticism from individual shareholders. The announcement of the transaction forms the high point of the communication concept. As far as the communication with investors is concerned, it is followed by the processing as stipulated by the Swiss Takeover Board or the ad hoc rules.

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### Swiss Takeover Board

In Switzerland, the Takeover Board lays down a detailed set of regulations for M&A transactions. These regulations require acquiring companies to set out a precise schedule, from the prior notification, to the purchase prospectus, and up to the provision of information on the interim and end results. The regulations also define the technical part of the communication. In the case of cross-border transactions, it is moreover necessary to harmonize the communication with the legal regulations of the two countries involved. For the legal framework, please refer to the website of the Takeover Board (→ [www.takeover.ch/](http://www.takeover.ch/)) as well as the Verordnung der Übernahmekommission über öffentliche Kaufangebote (Ordinance of the Swiss Takeover Board on Public Takeover Offers), see → [admin.ch/opc/de/classified-compilation/20082263/index.html](http://admin.ch/opc/de/classified-compilation/20082263/index.html)

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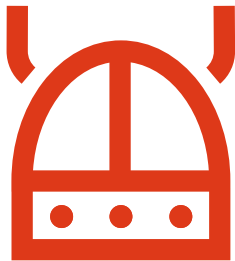
### Bidding Wars

The IR tasks are more complex in the case of controversial transactions. As important as the initial announcement is in such cases – who says what and in which tone? – there is often just as little certainty over the course that takeover bids, hostile takeovers, and bidding wars will take. Success is critically dependent here on the communication following the initial announcement. The financial community wants to be persuaded by valid arguments and good communications. In addition to the basic instruments specified above, the news service, i.e. a comprehensive and up-to-date analysis of the opinions of investors, analysts and journalists, takes on increased importance here, not least in order to become swiftly familiar with statements made by the opposite side. The more time available to draw up one's own position, the better. The advent of the Internet and social media has shortened the previous daily news cycle to an hourly cycle.

There is no doubt that good communications make an M&A project easier for an acquiring company, even if investors ultimately make their decisions on the basis of hard figures, i.e. the amount and form of the purchase price. Companies that have a good understanding of their own shareholders, however, increase their chances of implementing a transaction at a good price. They reduce the probability that shareholders of one or both companies in question will offer resistance.

### Hostile Takeover Bids

Similarly, good communications will mean that a company confronted by a hostile takeover bid has better potential of realizing a higher price than the one first offered. Note that this is also the most frequent objective when a binding takeover bid is on the table; it is rare to maintain independence. Consequently, in a hostile takeover, the communication of the target company focuses mainly on the elements that suggest a higher valuation. Moreover, legal disputes – between the two companies or between shareholders and companies – have become the rule rather than the exception and part of the negotiating tactics in controversial transactions. The consequence of this is that all formulations, whether in press releases or presentations, have to be carefully weighted by the attorneys.



#### Factors for Success in M&A Situations

- First impressions count: the initial announcement has to contain coherent arguments and leave as few questions open as possible
- It is not only the hard facts that matter – the style of communication is just as important
- Bring communication to a climax at individual events in the M&A process in order to achieve an impact
- Personal, direct communication from the CEO is the most effective
- Plan scenarios and also consider ESG risks and opportunities
- Communication addressed to target groups: provide consistent and accurate information not only to the financial community but also to the employees as well as business partners and customers
- Coordinate closely with the legal team
- Cultivate the relevant local style of communication for cross-border transactions
- Involve communications at an early stage, not least on account of the increasing risk of leaks
- Provide sufficient resources, also for unforeseen events
- Prepare an ad hoc publication in advance

### 1.3.3 Protection Against Hostile Takeovers

Hostile takeovers come frequently, although not always, as a surprise. There is consequently little time to make decisions and to prepare the necessary measures. Companies that are confronted with an undervaluation are therefore urged to make appropriate preparations. Not just legal preparations, but communication preparations, too. Moreover, it is important to clearly define the organization of any defense team that is set up.

Takeover battles are generally decided by the purchase price or the premium. The best defense is therefore the management of the share price. It should diverge as little as possible from the value of the company, which is based primarily on the profits and cash flows expected in the future. When an undervaluation is suspected, it is advisable to conduct a general review of the IR strategy and the equity story. This review will generally end in intensifying the IR program and precisely monitoring changes in the shareholder base.

#### Team of Specialists

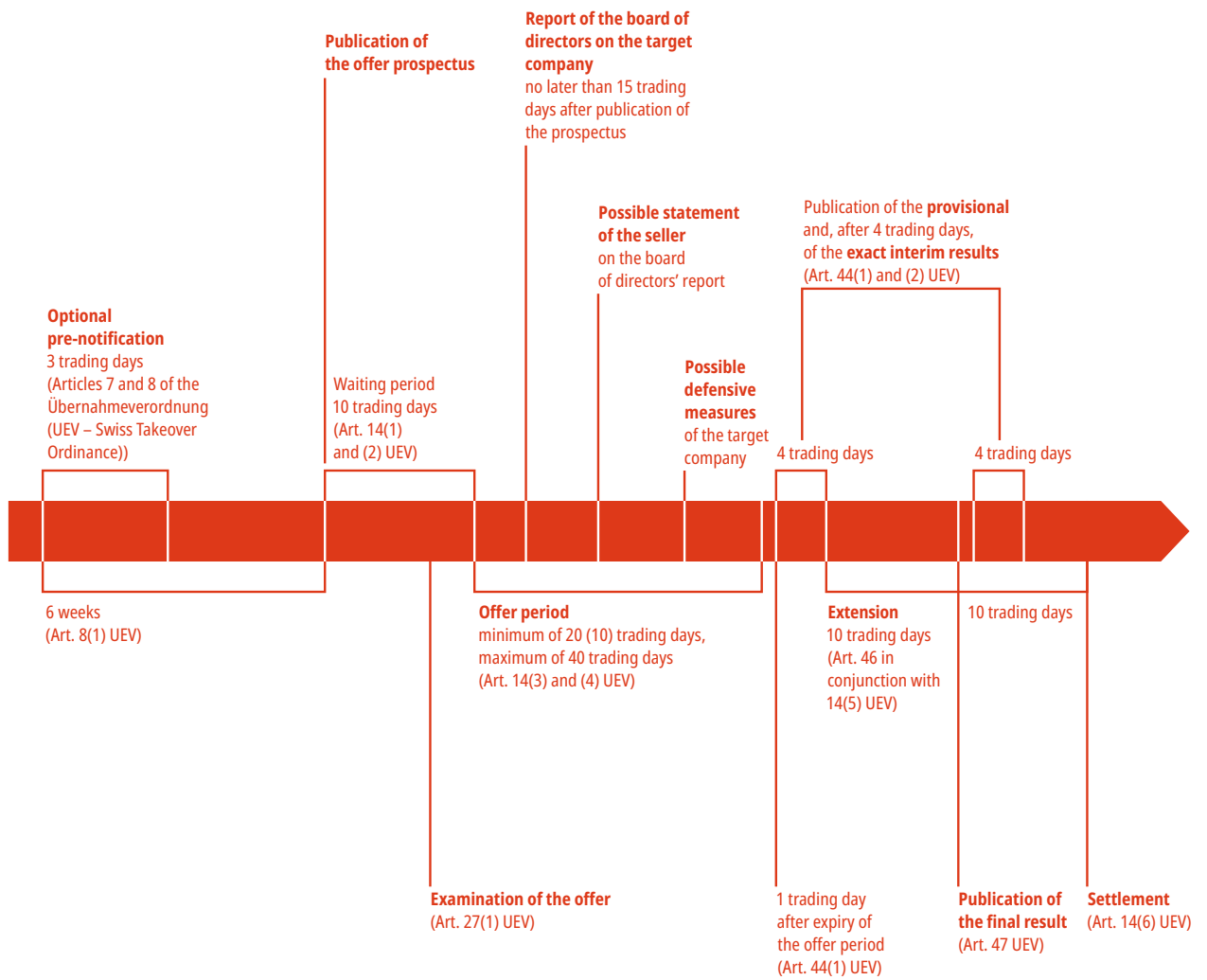
A potential bidder can build up an equity position, make informal contact with the board of directors, or enter into discussions with the target company. At all events, it is advisable to mandate a qualified legal advisor, a bank and a communication consultant with the objective of assessing the legal options, while at the same time determining which criteria should be used or are necessary for public communications.

There are also cases in which the board of directors has learned through reports from a news agency that a bidder – with or without pre-announcement – has published a public takeover offer. Legally, the board of directors is not required to comment publicly on a pre-announcement or a takeover bid immediately. Nevertheless, it can be advisable to respond swiftly with a public statement in the form of an ad hoc announcement (see → **Chapter 8.6**) and accompanying PR and IR measures. A lot of companies have prepared defense measures for this purpose, which can include drafts for media releases and other communication and IR instruments.

#### Report of the Board of Directors

The board of directors is required to publish a report no later than the 15th trading day after the offer has been published. The report has to state clearly and with valid reasons whether the board of directors accepts or rejects the offer or abstains from making a recommendation. Other time limits are noted in the following presentation.

### Timetable in the Event of a Takeover Bid



Timetable in the event of a public takeover bid, Source: Wenger & Vieli

### 1.3.4 Activist Shareholders

An activist shareholder acquires a share in the company with the aim of exerting pressure on the board of directors and of increasing the enterprise value through its intervention.

Activists analyze the target company closely before initiating contact with the board of directors or launching a media campaign. The most frequent points of attack are the below-average performance of the company's share price, inefficient capital investments (strategic errors, operational missteps), and inadequate corporate governance or pronounced weaknesses in the area of sustainable business management. Excessive management compensation can also be a point of attack, especially during a media campaign.

The majority of institutional investors welcome the increase in activist shareholders that has been observed in Europe and also in Switzerland over the past few years. Even if they do not necessarily agree with the specific demands made by these shareholders, they support the generally higher pressure on the company to adjust better and faster to changing market conditions and to operate in an "investor-friendly" way.

#### **If the House Is in Excellent Shape...**

The best defense, when there is a threat that an activist shareholder will get on board, is having as few open flanks as possible: the clearer the corporate strategy, the firmer its implementation, and the more disciplined the capital investments and use of funds, the better. Maintaining close relations with institutional investors also helps.

The second-best defense is a good IR and communication program. It starts with sound analysis. What strengths and weaknesses does the company have from an investor's perspective? Which potential arguments of an activist make sense in principle and ought to be taken into more detailed consideration in the strategy or the organization? How can that happen specifically? Which arguments would have to be countered, which facts could be used to underpin the counterarguments? Organizational in addition to strategic questions also have to be answered. How would the board of directors and management get organized if an activist emerges on the scene? Who would talk to them? Which advisors would have to be consulted?

#### **Tight-Knit Management of the Communication**

The specific IR measures are similar to those used to defend against a hostile takeover bid: a review of the IR strategy and equity story, generally followed by an intensification of the IR program and of the relationship management with analysts and investors. Also valuable is good knowledge of how the most important investors see the company, where they identify weak points in the strategy, and what they think about the dividend policy or the allocation of capital. Particularly careful attention has to be paid to the need to comply with all legal (communication) requirements in order not to expose additional areas to attack.

If an activist makes their presence felt, their track record and also their conduct towards earlier targets have to be examined. A decision has to be made on this basis on whether to seek direct contact and how this should be organized. As with any major shareholder, direct contact of this kind is generally, but not always, constructive. The situation is the exact opposite when it comes to the media: it is generally not sensible to escalate the conflict with an activist through the media to begin with.

### 1.3.5 Communication in Crises

Serious company crises also involve IR. Financial problems, sudden changes in management, loss of data, product recalls, accidents – crises can have many causes, that is why there is no standard formula for what the specific IR strategy has to look like in each individual case.



A characteristic of the majority of corporate crises, however, is that the different information requirements of the individual target groups are accentuated. Even more so than in the day-to-day business, customers, employees, crisis and investors have to be provided with information specific to the target group but where the core messages are consistent at the same time. The same principle also applies within IR, as in a crisis shareholders, bondholders, and lending banks turn their attention to various key financial indicators and strategic aspects.

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#### **Crisis, What Crisis?**

Crisis (from old and scholarly Greek κρίσις, krisis – today κρίση, krísi), originally meaning “an opinion”, “an assessment”, “a decision”, later more in the sense of “a culmination”, describes a problematic situation where a decision linked to a turning point is required.

Crisis communication here forms part of the crisis management that serves to influence hard and soft factors in order to prevent or to overcome corporate crises.

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Despite the many differences, the following principles have stood the test of time:

#### **Management and Organization of Crisis Communication and IR**

- Small committee (crisis team)
- Direct involvement of the decision-makers (high availability)
- In-house clarity about who belongs to the decision-making committee
- High frequency of information exchange, swift decisions
- Power over significant resources

#### **Communication**

- Clarify or investigate and document facts
- Quickly communicate the known facts, even if there are only a few
- High rate of information, define communication windows in which information will be provided in compact form
- "One voice policy," meaning concentration on very few or only one speaker, as high-ranking as possible, for the Investor Relations (generally CFO)

#### **Prevention**

- Good relationship management with the most important investors
- Familiarity with the investors' view of the company
- Define IR crisis team and roles

## 1.4 IR Strategy

### 1.4.1 Corporate Strategy

The IR strategy is initially derived from the corporate strategy. Important elements here include:

#### **Growth Strategy**

- Growth ambitions
- Financing of growth beyond the net inflows from the operating activity
- Probability of capital increases or M&A transactions with treasury shares as an element of the purchase price
- Geographic expansion – can exert an influence on future investor base

#### **Investor-Oriented Financial Management**

- Securities policy (registered vs. bearer shares; various classes of shares)
- Issuance policy
- Dividend policy
- Stock market policy

**Corporate Governance**

- Independence of board or directors
- Management and corporate culture
- Management compensation concept

**Communications Strategy**

- Relevance of the (IR) branding for the company's success
- Degree of transparency

In addition, the pillars of the corporate strategy must also form the foundation of the equity story (more on this in → **Chapter 2**), specifically, for example, the positioning of the company within the relevant industry and its trends, the features distinguishing the range of products and services offered, and the question of where and how the company intends to grow or become more efficient.

## 1.4.2 Development of an IR Strategy

As the basis for the IR strategy, the actual and target state has to be determined with regard to:

- Objectives: To which degree are objectives achieved in terms of existing IR strategy?
- Target groups: Which investor base is required for the next phase of the company's development? How does this compare with the current base?
- Perception: What strengths and weaknesses do investors identify concerning key topics in the equity story?
- Instruments: What measures are suitable for addressing these (new) investors? What does that mean for planning roadshows and for individual discussions with investors?
- Communication principles: How well do the current basic rules of the communication policy function? How can they best be adapted if need be?

What IR objectives are pursued beyond the fulfillment of the statutory requirements and how this is supposed to be achieved are defined in the IR strategy. The starting point for this is a clear analysis, see the presentation below.

## Issues for Analysis in Investor Relations

### Stock Market Analysis

- Daily trends in the share price and market sales of company's own securities
- IR activities of comparable companies
- Trends on equity and other capital markets (including dividend yields, PER, PCFR and PBR in the peer group)
- Economic, political and legal, and social environment
- Investment potential of the different financial centers and investor types

### Investor Analysis

- Breadth and identity of the shareholder base (total number, name, address, commitment, investment volume of the shareholders)
- Structure of the shareholder base by investor type (individual/institutional investors), size classes, home base (region, international), ESG strategies etc.
- Commitment period of the investors; changes in commitment among investors
- Daily identification of buyers and sellers of major volumes as well as determination of the reasons for the investment decision
- Identification of potential institutional investors that are involved in shares in the same industry and/or country of origin
- Investment behavior, investment loyalty, investment objectives, risk attitude, shareholder activism of current and potential investors (investor groups)
- Information requirements, interests and expectations of the individual and institutional investors with regard to the company's IR work

### Multiplier Analysis

- Identification of the key multipliers that the company regularly pursues with company studies and press reports
- Information requirements, interests and expectations of the multipliers with regard to the company's IR work

### Company Analysis

- Opportunity/threat and strengths/weaknesses profile of the company taking the existing and planned strategies into explicit consideration
- Financial and strategic (forward-looking) company valuation (DCF method); assessment of the suitability of the market valuation

Analysis grid, Source: Drill

For the principle of non-communication periods, refer to the regulatory requirements and in particular the ad hoc communication (see → [Chapter 8.6](#)).

## Principles of Communication Policy

### Principle of Target Group Orientation

- Employment of the communication instruments tailored to the target groups
- Precise tailoring of the contents of the communications to the information requirements of the individual target groups

### Principle of Equal Treatment

- Essentially the same information in response to the same questions as well as simultaneous provision of new, price-sensitive information to the target groups (insider problem)
- No deliberate preferential treatment of or discrimination against specific target groups or individual members of the financial community

### Principle of Materiality

- Clear, comprehensible, and compact presentation of material new information
- No presentation of details that are not important for the respective target group

### Principle of Continuity

- Regular communication with the financial community
- Communicators in the company that do not change and are available at any time

### Principle of Non-communication Periods

- Refraining from IR activities during a "quiet period"
- Withholding critical information that is not yet publicly known until the stipulated publication date (e.g. planned M&A transaction)

### Principle of "Corporate Communications"

- Consistency of the contents of the financial communications with the other corporate communications to ensure coherent overall corporate communications
- External consistency of the contents of the financial communications with the other corporate communications to ensure a uniform appearance

IR principles, Source: Drill

## 1.5 IR Planning

The strategic issues of Investor Relations are operationalized and placed on a timeline during IR planning.

When will which target groups be addressed with which instruments, topics, and messages? The allocation of resources (IR financial resources, IR personnel) is additionally defined. Not only the management but also the board of directors has to know the annual IR plan. The table below presents an annual plan of this kind. The individual IR measures are described in → [Chapter 6](#).

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### What Is a “Quiet Period” and Why Is It Needed?

Many listed companies have a trading blackout period, also known as a quiet period, for the management and the employees who are involved in the annual and interim financial statements. This is an appropriate time frame, generally between four and eight weeks before the quarterly or annual results are published, in which purchasing and selling shares in the company is prohibited.



In parallel to this, many companies limit their IR during the same period, for example by not arranging individual talks with investors or conducting meetings at investor conferences, in order to ensure that all shareholders are treated equally and that no information of any kind on the forthcoming results leaks. Issuers occasionally also publish this quiet period on their website. What is involved here is a self-imposed restraint that can be entirely reasonable but that should be kept as short as possible.

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### Template for an IR Plan for Small and Mid Caps

**Annual Objectives**

- Sharpen the equity story: Growth/investment focus for the next three to five years in sector A; sector C on the test bench
- Derived from that, and in very general terms, better matching of market expectations with the company’s own financial projections
- Expand investor base (in addition to Switzerland, UK, and the US) in Germany and Scandinavia
- Improve level of knowledge about the perception of the company held by institutional investors

### Annual IR Plan

	1st quarter	2nd quarter	3rd quarter	4th quarter
<b>Topics, Messages, News</b>	<ul style="list-style-type: none"> <li>- Annual figures</li> <li>- Revision of equity story, together with annual financial statements</li> </ul>	<ul style="list-style-type: none"> <li>- Opening of a new R&amp;D center in Scandinavia</li> <li>- Possibly quarterly figures</li> </ul>	<ul style="list-style-type: none"> <li>- Half-year figures</li> <li>- New medium-term guidance, together with results from first half of the year</li> </ul>	<ul style="list-style-type: none"> <li>- Launch of a new product category</li> <li>- Possibly quarterly figures</li> </ul>
<b>Important IR Activities</b>	<ul style="list-style-type: none"> <li>- Adaptation of IR presentation + IR website to new equity story</li> <li>- Investor/analyst conference on annual financial statements</li> <li>- Annual report</li> <li>- Sustainability report</li> <li>- Annual general meeting</li> </ul>	<ul style="list-style-type: none"> <li>- Revision of guidance concept</li> </ul>	<ul style="list-style-type: none"> <li>- Communication of new medium-term guidance with semi-annual report</li> <li>- Investor/analyst conference call on the first half of the year</li> </ul>	<ul style="list-style-type: none"> <li>- Event for investors, analysts, and financial media</li> <li>- Investor survey</li> </ul>
<b>Roadshows and Investor Conferences</b>	<ul style="list-style-type: none"> <li>- Roadshow CH, UK, USA with Bank A</li> <li>- Presentation to investor conferences, V+W Bank</li> <li>- XY trade fair, with investor visits</li> </ul>	<ul style="list-style-type: none"> <li>- Event for investors, analysts, and financial media</li> <li>- Roadshow Scandinavia with Bank B</li> <li>- Presentation to investor conference, X Bank</li> </ul>	<ul style="list-style-type: none"> <li>- Roadshow CH, UK, Germany with Bank C</li> <li>- Presentation to investor conference, Y Bank</li> </ul>	<ul style="list-style-type: none"> <li>- Presentation to investor conference, Z Bank</li> <li>- XZ trade fair, with investor visits</li> </ul>

## 1.6 Tips

1.

It's like in sports: The better the athlete's physical fitness and the more familiar they are with the sequences, the better they perform under pressure. What this means is that a strong and well-practiced IR function increases the probability both when it's "business as usual" and in special situations that the relevant corporate and communication objectives can be achieved.

Who forms part of the core team in the event of a crisis? Consulting specialized attorneys and advisors is recommended for smaller companies, even if this is only on a stand-by basis.

5.

The most important annual targets and milestones must be made transparent within the company. Not only the management but also the board of directors has to know the annual IR plan.

4.

**2.**

The IR strategy, equity story, and financial guidance should be reviewed on a regular basis.

**3.**

It is worth getting a picture of how the company is judged by investors every 12 to 18 months in a structured form. Does this picture match the current strategy? Do new groups of investors have to be addressed?

2.0

# Content of Investor Relations



# In a Nutshell

The value of a company is defined in the medium and long term by

- the performance of the relevant key market,
- the corporate strategy,
- the business performance in general,
- the growth in turnover and profit or the return on capital,
- the quality and communication strength of the management.

Investors want to know where exactly the company stands and also exactly where it intends to go. The company has to provide the right information for this.

The equity story is the heart of Investor Relations. At its core, this story involves how the company will increase turnover and profit and earn dividends in the future.

As far as the quality of the corporate communications and Investor Relations is concerned, it is not only the substance that matters but also the way and when and how the information is presented.

The sustainability report must fit in with and be embedded within the corporate strategy. It is important to identify material issues and report them in a balanced way. Of particular relevance are the areas identified where improvements can be made together with the associated processes. "Greenwashing" or appearing to act as a benefactor via external projects with no direct link to a company's core business is to be avoided.

By "opting in", issuers can announce that they create a sustainability report in accordance with an internationally recognized standard, such as the Global Reporting Initiative (GRI). From 2024, a basic sustainability report will be mandatory, applying to the 2023 financial year.

## 2.1 Themes and Equity Story

What content does Investor Relations have to focus on?  
This question can be answered in a variety of ways.

An initial answer is that the content for Investor Relations corresponds to the criteria that determine the value of a listed company. These include:

- Subjective factors, such as the psychology of the stock market, global expectations, and personal preferences for securities
- Objective, company-specific factors such as strategy, quality of the management, market position, products, and financing
- Objective, industry or market-specific factors such as interest rates, economic activity, regulations, political and social events
- Controlling interests such as ownership structure or "takeover speculation"
- Marketability of the security, such as liquidity and potential investor base

The sum of these factors determines the enterprise value. Although they cannot be broken down individually in the sense of a direct cause-and-effect relationship, empirical studies nevertheless suggest that, from this wide variety of factors that determine value, the following four are crucial over the long term:

- The dominant drivers in their market
- The corporate strategy (also see the following → **chapter**)
- The business performance in general and the growth in turnover and profit or the return on capital specifically – as proof of whether and how the strategy adds up or how effectively and efficiently it is implemented
- The quality and communication strength of the management

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### The Scale of Influence of CEOs on Their Companies

(Abridged version of an article from the *Neue Zürcher Zeitung* from January 2018)

Various studies have attempted to measure the influence of the big boss at large firms. The best-paid top managers at listed companies in Switzerland receive over 10 million Swiss francs a year; the average compensation of CEOs at the 50th- to 70th-largest listed Swiss companies is around 3 to 4 million Swiss francs. With their need to personalize articles, the media contribute to the perception that top managers exert an enormous influence on the fate of their companies.

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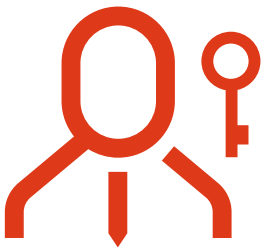
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But is this influence really so large? There are in principle two schools of thought among academics. One emphasizes that, through the company's strategy, the selection of their trusted management personnel, and the communication of an image both in-house and to the outside world, top managers have a major influence on the fortunes of a company. The other school of thought, in contrast, refers to the massive limitations on the influence of the individual CEO at major companies. In this reading, factors such as general economic climate, the industry, the quality of the workforce, the corporate culture, the competition, and luck are key drivers and cannot be influenced or can only be influenced to a limited degree in the shorter term by an individual.

The "truth" probably lies typically somewhere in-between. Attempts to measure the influence of top managers can be found repeatedly in research literature, which is heavily marked by American studies. The standard study concept is based on a statistical procedure that uses data from hundreds of companies and several decades to assess the factors determining a company's success (generally measured by its profitability) and that also endeavors to identify how large the measurable influence of the "boss" factor is.

#### 10 to 20 Percent Influence

A review of surveys, of the literature and individual studies from the past 20 years reveals a large range of estimates – with the impact of the No. 1 ranging from statistically insignificant to very large. If the extremes are filtered out, what is left as a trend statement is that the



"boss" factor based on typical estimates may explain perhaps around 10 to 20 c of the fluctuations in corporate success (upward as well as downward) on average. That would not be the be-all and end-all; factors that cannot be influenced by management may well be significantly more important. Yet the estimated CEO effect is not inconsiderable. Based on typical estimates, the effect would be comparable in magnitude to the influence of the "industry" factor. Given the

uncertainties in the methods of estimation, the figures cannot be taken as the gold standard but have to be seen only as a possible order of magnitude based on the current state of superficial knowledge.

At major corporations with annual profits running into the billions, fluctuations of a few percent will already produce amounts in the tens of millions. With such orders of magnitude, it may initially be of relatively little consequence in the view of boards of directors and shareholders whether the group's chief executive officer earns 2 million or 10 million francs. But decision-makers also have to ask themselves what signals the compensation packages for top managers send to their own workforce, the customers, and other stakeholders.

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### What Investors Want

A second way of determining content is driven by needs. What content do investors ask for?

It has to be noted here first of all that there are many different types of investors. Private investors typically invest according to different criteria than institutional investors. And the latter in turn invest according to different concepts, for example in line with the value or growth approach (see → **Chapter 4** for more on this).

The similarities, however, are greater than the differences when we consider the question of what information investors are interested in. All investors ask, to begin with, for statistical and historical data, which they examine for affirmative signals as well as for inconsistencies. The way that all types of investors think is based on cause and effect. It must be noted here:

- The fewer statistical series there are, the more questions will be raised
- The better investors know the long-term drivers of the success of a company, the easier they find it to accept that details are not published
- It is not the “news” that moves the share price but the reaction of investors

The company-specific information that investors typically require for an assessment is presented in the illustration below.

### What Active Institutional Investors Are Looking For

Quality	Responsibility Towards Stakeholders	Valuation by Means Of
<ul style="list-style-type: none"> <li>- Competitive advantage</li> <li>- Solid balance sheet</li> <li>- Innovation/pipeline</li> <li>- Consistent implementation of strategy</li> <li>- Management track record</li> </ul>	<ul style="list-style-type: none"> <li>- Appropriate, ambitious targets</li> <li>- High governance standards</li> <li>- Appropriate taxes and dividends</li> <li>- Reduction in consumption of resources</li> <li>- Social responsibility</li> <li>- Anticipation of future regulation</li> </ul>	<ul style="list-style-type: none"> <li>- Classic key value indicators (P/E, P/B, dividend yield, etc.)</li> <li>- DCF and other non-statistical valuation models</li> </ul>

Relevant aspects for an investment, Source: Schroders

**A Look at the Market**

A third way: Investigate and define IR topics with a view to market trends and competitors. Which IR contents are other companies in the relevant industry communicating? Where is your own company relatively better positioned? Where does it have unique selling points from the investor's perspective?



The communication with investors, and especially the IR presentation, which summarizes the equity story (for more on this, see → **Chapter 6.4**), should take the above-mentioned points into due consideration. In addition to a comprehensive description of the relevant topics in the IR presentation, it can be helpful to publish these on the website or in other IR documents in a short and concise form. The most important elements are listed in the sidebar below.

**The Equity Story – the Heart of Investor Relations**

<p><b>How Does the Company Make Money?</b></p>	<p><b>In Which Markets Does the Company Operate?</b></p>	<p><b>Where Does the Company Stand in Relation to the Competition?</b></p>	<p><b>Where Does the Company Intend to Be in Five Years?</b></p>
<p>The company's business model</p>	<p>The market prospects</p>	<p>Peer comparison and unique selling points (USP)</p>	<p>The vision</p>
<p><b>Strategic Corporate Goals</b></p>	<p><b>How Does the Business Model Work in Detail?</b></p>	<p><b>Opportunities and Risks in Figures</b></p>	
<p>Business targets, earnings targets, financial targets, sustainability/ESG criteria</p>	<p>The success and risk factors in the value chain</p>	<p>The company's key performance indicators: historical performance, current business figures, and forecasts</p>	

Source: Prof. Dr. Olaf Streuer

## 2.2 Communication of the Corporate Strategy

In ongoing Investor Relations, an adjustment to the corporate strategy is frequently occasion to rethink the IR strategy and to thoroughly adapt the equity story.

The following elements are typically important here:

Topic	Input
<b>Strategy</b>	<ul style="list-style-type: none"> <li>- A good strategy is perfectly embedded in the market environment: What structural and current market trends are decisive? Reliable market figures and forecasts provide the strategy with the necessary foundation</li> <li>- What is the situation when it comes to barriers to market entry?</li> <li>- What makes the company different from its competitors? How can it further develop this USP?</li> <li>- A good strategy is easy to understand and can be summarized in one sentence</li> <li>- What is the priority of sustainability, what KPIs are defined for it?</li> </ul>
<b>Segments</b>	<ul style="list-style-type: none"> <li>- Many companies operate several business segments where their differences as far as the IR issues are concerned are greater than their similarities</li> <li>- In that case, it is generally more promising to represent the strategy of the individual segments in detail than to describe a necessarily more abstract overarching corporate strategy</li> </ul>
<b>Quantitative information</b>	<ul style="list-style-type: none"> <li>- Does a rebalancing of the segments require a change to the sectoral reporting?</li> <li>- If yes, are retrospective pro forma figures helpful for the new sectors?</li> <li>- Which ESG numbers are provided and consistently commented on?</li> </ul>
<b>Qualitative information</b>	<ul style="list-style-type: none"> <li>- How can investors follow the implementation of the strategy – beyond the financial results?</li> <li>- Operational milestones for the next one to two years are a tried and tested means for this</li> <li>- If one sector gains a significantly greater importance over others, specific key performance indicators (KPIs) can be redefined and communicated, if need be also as part of the guidance</li> </ul>
<b>Guidance</b>	<ul style="list-style-type: none"> <li>- Are the maturities and key performance indicators of the previous guidance consistent with the adjusted strategy?</li> </ul>
<b>Form</b>	<ul style="list-style-type: none"> <li>- The key document for depicting the strategy is the IR presentation</li> <li>- For the other communications, the strategy and the creation of value should be summarized for the investors in one sentence</li> </ul>

## 2.3 Figures and Transparency

The reported, audited financial figures form the basis of every company valuation.

Investors and financial analysts spend a lot of time analyzing and extrapolating from the balance sheet, the income statement, the statement of changes in equity, and the statement of cash flows and the trends underlying them.

This is easier said than done, as various factors make it difficult for investors to read the financial figures and, above all, the income statement. Three can be mentioned here as representative of the many others:

- Firstly, the income statement maps both recurring and non-recurring items, such as revenue on the one hand and the sale of assets on the other
- Secondly, both effective costs, such as personnel expenses or rent, and also expenses of an investment nature, for example for research or the development of new software, are reported as costs
- Thirdly, various items in the income statement such as expenses for share options or amortization and write-downs of intangible fixed assets, are based on estimates

### Adjusted Figures

In the wake of the opaqueness in these and other areas, many companies have switched to publishing adjusted figures in addition to the audited results. These are frequently also called alternative performance measures, pro forma figures, or non-GAAP measures. There is nothing wrong with this in principle, if the individual items and effects are reported consistently over time as either ordinary or extraordinary. And if it is not only costs that are presented as non-recurring items but non-recurring profits, too.

The problem with adjusted figures is that they are susceptible to improper embellishment. This is true in particular if the variable compensation of the management is based on pro forma figures and not on the profit reported in accordance with accounting regulations.

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### EBE – Something to Smile About

As an extreme example of an adjusted figure, cynics put forward the EBE, “earnings before expenses”, in the style of Luca Pacioli, who, around the year 1500, was the first person to produce a complete description of double-entry bookkeeping.

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The regulations governing accounting require much more detailed reporting today than 20 or 30 years ago. In comparison with 20 or 30 years ago, investors rely less on these financial figures today in their valuations. Studies show that the reported profits and carrying amounts explain around only half of the company valuation – once it was around 80 percent. The reason for this is the increasing importance of intangible assets, whether it be patents, research efforts, trademarks, or business processes, that are not mapped either in the profits or in the carrying amounts.

### **Communicate More Than Just the Mandatory Information**

In the course of this development, companies have switched to publishing other information in addition to the obligatory material. This can include for example:

- Incoming orders of an industrial company
- Figures on the POS of a retail company
- Development of the research pipeline of pharmaceutical and biotech companies
- Valuations of the individual properties of real estate companies
- Number of customers and acquisition costs per customer of an Internet company
- Sustainability report (see → **Chapter 10.0**)

This will sometimes involve precisely this presentation of intangible assets but always the dismantling of information asymmetries. Whether a company wants to publish information of this kind will require careful consideration. Studies have shown that when companies provide more precise information on the current situation and the way forward, the cost of capital and price volatility is lower. Even a direct correlation with trading volume and the bid-ask spread has been documented. Among the reasons put forward against this kind of transparency that goes beyond the mandatory program are generally possible disadvantages in relation to the competition and the greater probability of legal action.

Because they are convinced of the stated advantages, a lot of companies communicate this kind of information in excess of the annual financial statements. In order that this information is also useful for investors, it must be collected and published in a systematic and standardized way. Furthermore, there must be a direct cause-and-effect relationship with the financial figures. These criteria are fulfilled for example by incoming orders in industry or the development of a biotech research pipeline mentioned earlier. Less valuable from this point of view are, for example, the results of customer or employee surveys.

## 2.4 Qualitative Factors

Even with this additional information, as just described, the enterprise value can frequently deviate distinctively from the actual market value. Qualitative factors evidently also play a role. The University of St. Gallen has summarized this in a study as follows:

- Quality and interaction of the management
- Comprehensibility of the strategy
- Quality of the corporate communications and Investor Relations
- Public reputation of the company
- Corporate governance

A lot of investors include these factors in their analysis and assessment. This is because the reliability of the financial projections and also the reliability of the underlying company data are sometimes massively influenced by these qualitative features. The estimation risk falls and the reliability of the forecast increases when there is credible, trustworthy management, the company enjoys a good reputation, the corporate governance is exemplary, the reporting is transparent and of a high quality, and there is a clear, coherent corporate strategy.



### **Quality Means Not Only What but Also How**

As far as the quality of the corporate communications and IR is concerned, it is precisely not only the substance that matters but also how and when the information is presented. Studies show that the priority given to information, for example how prominently pro forma figures are presented, or the adjectives that are used to describe the financial figures have an influence on the valuation.

How can non-financial, qualitative factors be effectively employed?

- Where possible, underpin statements and arguments by verifiable facts and figures: "Where is the evidence?"
- Use a communication style and tone to place facts and figures in the right context: Honest, clear messages create trust. This is important not only for personal but also for written communication
- Investors are people! Good personal relationships help in the ongoing communication and most especially in sensitive situations
- A media presence can help small companies to gain more attention among investors
- Demonstrate the relevance of the business model
- A great deal of what is involved in Investor Relations is serious and dry, but there are times when it can be original

In this respect, the letters to shareholders from Warren Buffet are recommended as a source of inspiration. They contain stylistic idiosyncrasies of all kinds, such as this one that he used to describe the mortgage business: **"It is interesting that the industry has invented new ways to lose money when the old ways seemed to work just fine."**

## 2.5 Corporate Governance and Management Compensation

### 2.5.1 Directive Corporate Governance

Among the information that issuers have to provide in their annual report are specific details about the management and control at the highest level of the company (corporate governance). What information has to be published can be found in the Directive Corporate Governance (DCG). The DCG requires issuers to publish information about the management and control at the highest corporate level of their enterprise or to provide substantial justification of why certain details are not published (“comply or explain” principle). The individual disclosures that have to be published in a separate corporate governance chapter in the annual report of an issuer are specified in the appendix to the DCG (see → [Chapter 8.4.2](#) for further information).

### 2.5.2 Management Compensation

An important sub-aspect of the communications in corporate governance matters is the communication concerning management compensation. The legal basis underlying how the related information has to be presented can be found in the Directive Corporate Governance (DCG, see also the section above) as well as in the VegüV – Ordinance Against Excessive Remuneration in Listed Stock Corporations, see → [admin.ch/opc/de/classified-compilation/20132519/index.html](https://www.admin.ch/opc/de/classified-compilation/20132519/index.html). At present, many companies are going about incorporating ESG factors into their variable remuneration. For new listings, this should be taken into consideration from the start.

With the introduction of the VegüV in 2014, communication with the annual general meeting underwent a pronounced change, especially as additional votes are now required. The tasks of Investor Relations concerning management compensation here include:

- Cooperation in and/or knowledge of the remuneration report, including with regard to the degree of transparency of the report or the presentation of additional information, such as the realized compensation of the management; clear and comprehensible preparation of the information
- Cooperation at and/or knowledge of the annual general meeting, including with regard to the concept of the prospective and retrospective votes and the voluntary consultative vote
- Answering questions from institutional investors and primarily the proxy advisors; each one has a detailed catalog of questions on this
- If need be, IR roadshow on corporate governance and compensation issues in advance of the annual general meeting or in the case of planned adjustments to the compensation model
- Cultivate contacts with proxy advisors

Communication increases in importance especially when criticism starts to be expressed. It is generally understood to be a warning signal to the board of directors when approval for the remuneration report falls below 80 percent at the annual general meeting. Typical points of criticism from investors and proxy advisors include:

- There is a lack of more specific information on the targets and only general levels of payment are described in relation to the achievement of targets
- The compensation system includes an (excessively) large number of target values and compensation elements
- In general terms, the links between performance and variable compensation are not clear and comprehensible.
- ESG factors are inadequately or not at all considered in the remuneration model.

### Regulatory Changes

Another IR task consists of appropriately recording and mapping changes in the regulations. SIX Exchange Regulation AG therefore revised the Guideline on the DCG in 2017, specifying in more detail the information that has to be published by companies. One of the innovations means that improved disclosure results in better assessments of the performance incentives offered and the reasons for the compensation trends. The design of the compensation packages of the board of directors and the management should be disclosed “in a manner as transparent and comprehensible as possible” (section 5.1 of the DCG). The basis for the passage is formed by the need for more transparency concerning the connection between “pay” and “performance”.

In addition, the criteria for setting compensation are newly described in the Guideline to the DCG. If criteria of this kind are applied, specific information on them and how much weight they are given has to be provided. It must be explicitly pointed out if the criteria are weighted on a discretionary basis.



There are serious doubts, however, that the basic problem of the weak or non-existent correlation between pay and performance can be remedied with these regulations. The level of compensation awarded to the board of directors and the CEO is closely connected both in Switzerland and internationally to the market capitalization of the company but not with the business performance over the course of time. The cause of this is not the remuneration report but the compensation model.

## 2.6 Tips

**1.**

In addition to the audited results, a lot of companies also publish adjusted figures. There is nothing wrong with this in principle if these figures are clearly defined, described in a comprehensible and not misleading way, used consistently over the course of time, and transferred to the audited figures.

**2.**

The same is true for figures that go beyond those in the audited financial statements, for example relating to incoming orders or to the sustainability report.

It is OK, whether in operational terms or in the area of sustainability, if everything is not yet in perfect shape at the company itself. It is crucial that this potential for improvement is recognized and reported and that the steps involved in driving this improvement forward are presented.

**3.**

The communication style and tone can also be used to place facts and figures in the right context. Honest, clear statements create trust.

This reporting that goes beyond the audited financial figures creates added value. To this end, however, it must not be selective or embellished but objective, consistent over the course of time, and relevant for decision-making processes. Where possible, statements and arguments have to be underpinned by verifiable facts and figures: "Where is the evidence?"

**4.**

**5.**

3.0

# Financial Guidance



# In a Nutshell

Investors judge companies on the basis of future profits and cash flows. “Financial guidance”, also called “earnings guidance”, is understood to be the official financial projections of listed companies.

Financial guidance is a proven method to manage investors’ expectations.

Forecasts for operating income are the most frequent form of financial guidance in Switzerland, followed by projections for revenue.

In the US, it is the expected earnings per share – for the current or next quarter of fiscal year – that is the most frequently used key projection metric.

Investors and analysts generally estimate the growth prospects of companies with a good track record on the high side. As a result, the share price of such a company often corrects particularly sharply in the event of a profit warning.

## 3.1 Pros and Cons

The question of whether and how to provide investors with forward-looking information and especially with financial projections – moving beyond the strategy – has been the subject of fierce debate for many years.

Counting Warren Buffet, the CFA Institute, and McKinsey among its ranks, one group firmly advocates not practicing financial guidance, primarily because it encourages short-term thinking and action. Opposing this group is the majority of listed companies, which, despite these concerns, communicate financial guidance.

In the US, the Regulation Fair Disclosure (RegFD) of the Securities and Exchange Commission (SEC), published in 2000, gave a powerful boost to the concept of financial guidance. In Switzerland, too, a trend can be identified toward increased guidance; this is practiced here at home by the majority of companies today, most especially by the larger ones.

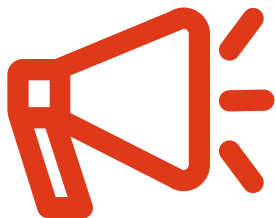
### Deviations

The regulatory requirements may have played a role in this. The rules on Ad hoc Publicity also include the duty, in line with established practice, to inform investors if the annual or interim results deviate notably from the guidance given or in cases where no guidance has been given significantly from the results achieved in the prior-year period.

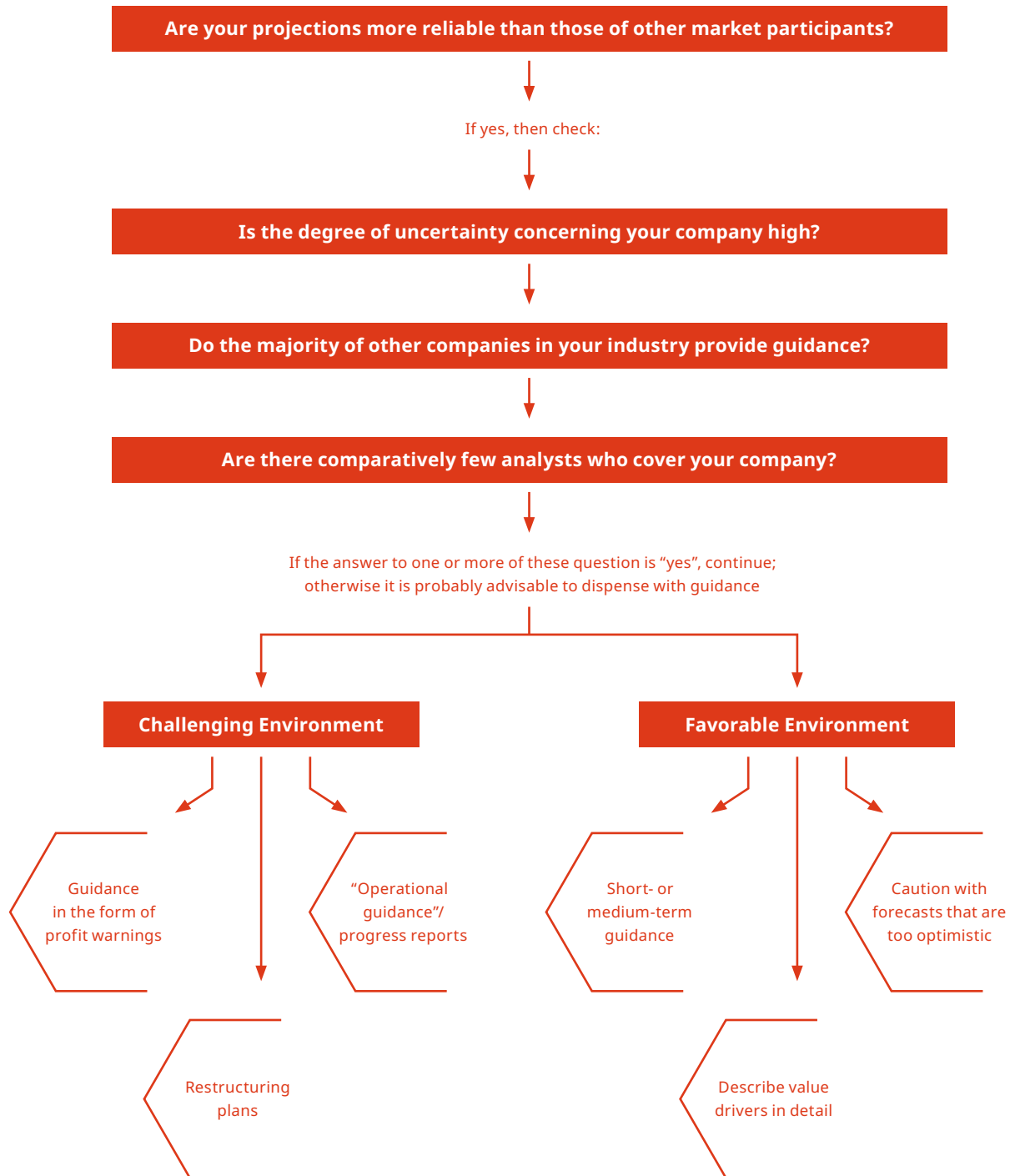
But bear in mind: The more precise the guidance, the greater the probability that it will have to be corrected in the course of a profit warning.

### More than Noise

One argument that critics put forward is that guidance is just “noise”. According to this, managers cannot forecast future results better than investors and analysts can and should therefore not get involved in this activity. However, studies have demonstrated the opposite. Managers clearly beat analysts when it comes to how correct and accurate their financial forecasts are, and this skill is also recognized by the financial market (for more on this, see the book by Baruch Lev referred to in the → **Bibliography**). The differences in this respect can be large, however, depending on the industry and the company situation. The decision tree below can be helpful in answering the question of whether your company should publish guidance and, if yes, what kind of guidance.



**Pro/Con Decision-Making Criteria for Financial Guidance**

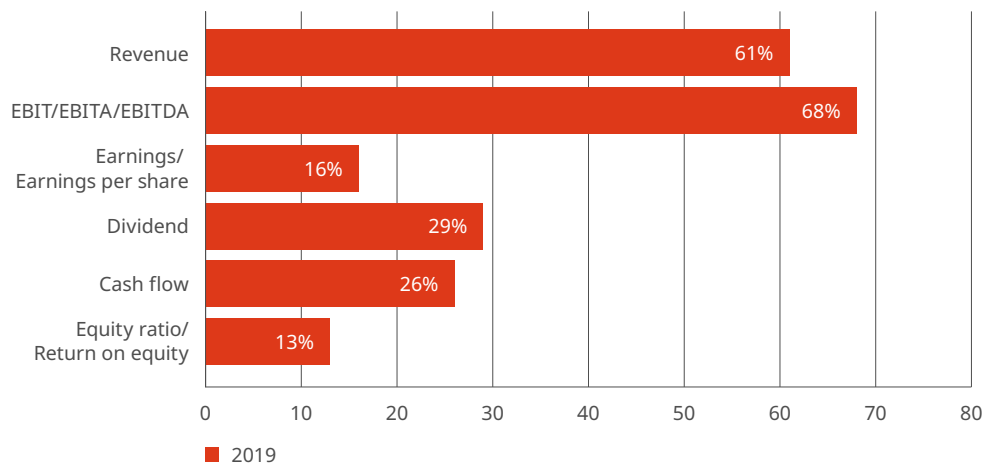


Decision tree for financial guidance based on Baruch Lev

## 3.2 Financial Guidance in Switzerland

The majority of large companies issue financial guidance as part of their annual reporting (**study by IRF** on SMI Expanded companies). About half of them use quantitative target values, while three quarters present qualitative information. It can be assumed that the smaller companies represented in the SPI are generally less and less likely to practice detailed guidance.

### Key Performance Indicators in Quantitative Guidance



Research on SMI Expanded companies, consulting firm IRF, 2019

Of the roughly 50% of the companies that provide quantitative guidance, 68% provide a forecast for the operating result (EBIT/EBITA/EBITDA) and 61% for revenue. The amount of the dividend and cash flow are also popular target figures, with about one quarter of the companies providing guidance on these two items. Companies are less disposed to provide guidance on earnings or earnings per share, or on the equity ratio or return on equity. In addition, the majority of the firms that provide guidance also use sector-specific performance indicators, such as the cost-to-earnings ratio or net new money for banks, the combined ratio for insurance companies, capital spending for industrial firms or the occupancy rate for real estate companies.

In terms of internal performance parameters, the development of individual business units and product groups or benchmarks versus the market are the primary metrics. Roughly 53% of the companies surveyed provide guidance on these items. Cost-cutting programs and operational efficiency (21%) along with geographic coverage (18%) receive less of a mention.

The IRF survey shows that a large majority of the companies surveyed provide only short-term forecasts for the next 12 months (74%). Far fewer companies release medium- and long-term targets when announcing their results.

In light of the current debates on climate change, as well as strong campaigns by both active and passive investment funds, one would expect to see forecasts and targets on environmental factors increasingly reflected in reporting. However, the percentage is relatively low at 38%. Social indicators (43%) and quality standards (45%) are mentioned about as often.

## 3.3 Concept of Financial Guidance

The concept of financial guidance for a company should include the following elements:

- Objective and purpose: Why is guidance practiced or why not?
- Forecast values and key performance indicators that are used: To what extent are these an appropriate indicator for documenting the implementation of the strategy? The sales projections may be key, for example, for a high-growth company, while in a profitable company in a saturated market it may be the profit or cash flow instead
- General conditions: Should the company's own forecasts be related to exogenous factors such as market growth or exchange rates and, if yes, how?
- Time horizon: Guidance with what deadline?
- Communication: In what form and with what instruments is the guidance to be communicated?
- Decision-making mechanism: When and how is the guidance reviewed and, if need be, adjusted?

## 3.4 Dealing with Profit Warnings, Profit Collapses and Profit Hikes

What has to be done when there is growing evidence that the company's own projections will be missed in the forthcoming annual or interim financial statements (profit warning) or, if projections of this kind have not been communicated, will turn out to be significantly weaker or significantly stronger than the last period for comparison (profit collapses/hikes)?


The short answer: Publish an ad hoc announcement as quickly as possible (i.e. as soon as the issuer becomes aware of the problem) that transparently presents the expected scope and the reasons for the worse or better results.

The longer answer: **“It is better to be roughly right than precisely wrong.”** This dictum of the economist John Maynard Keynes can also be applied to simple profit warnings. A couple of recommendations:

- It is better to communicate an estimate as quickly as possible than practically definitive figures weeks later and shortly before the results are presented
- In case of uncertain forecasts, communicate ranges, e.g. revenue or EBIT of CHF x-y million.
- If the reasons for the poorer results are not a one-off but structural in nature, it can be helpful to communicate, in addition to the guidance, a plan and the most important measures for tackling the new market situation
- This should be followed by a status report on this bundle of measures at the forthcoming results deadline
- Do not make the upcoming result look better than it is by reaching into a bag of tricks and pulling out spontaneous sales campaigns and short-term cost-cutting programs. That only puts the vast majority of problems off to a later date
- The aim must be for the management to maintain as much confidence as possible with no-nonsense communication and not for the share price to undergo as little correction as possible

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### **Be Careful When Everything Is Running Smoothly**



As studies show, investors and analysts generally estimate the growth prospects of companies with a good track record on the high side. This leads to the share price of a company of this kind frequently experiencing a particularly hefty correction in the event of a profit warning, less on account of the one-off failure to meet expectations and more because of the adjustment of the medium-term growth forecasts that were basically too optimistic. There is a lesson to be drawn from this for managers and IR specialists: If there are indications of an (at best industry-wide) overvaluation, resist the temptation “to ride the wave”. Rather, the enthusiasm of the investors should be subtly and gradually curbed.

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## 3.5 Tips

**1.**

The forecast values and key performance indicators that are used should be a suitable indicator for documenting the progress of the corporate strategy in question.

**2.**

The more precise the guidance, the greater the probability that it will have to be corrected in the course of a profit warning.

**3.**

Stocks with a lot of momentum are especially exposed. Care should be exercised in a growth phase to prevent exuberant enthusiasm.

**4.**

When it looks likely that the forecasts will be missed, it is advisable to provide information as swiftly and transparently as possible.

4.0

# Core Target Group Investors



## In a Nutshell

Generally speaking, when we talk about Investor Relations, we mean the communication with professional or institutional investors.

Accounting for 40 percent, value investors make up the most important group on the Swiss stock market. Index funds have experienced strong growth in the last few years and now account of around 20 percent of the SPI. Existing and new investor models are also focusing more closely on ESG criteria, meaning ESG assessments now form part of the basic data.

A core task of Investor Relations consists in finding out from the wide variety of potential investors which ones are a good fit for the company in question. This is known as investor targeting.

Around 80 percent of investors on the Swiss stock market are domiciled abroad.

It is worth seeking contact with proxy advisors in the context of the continual Investor Relations and especially in the case of capital market transactions or delicate annual general meetings.

## 4.1 Type and Investment Styles

Generally speaking, when we talk about Investor Relations, we mean communication with professional or institutional investors.

The most important institutional investors include equity funds, index funds, hedge funds, insurance companies and pension funds.

Although they are furnished with relatively few voting rights in comparison with institutional investors, private investors, also known as retail investors, are significant in terms of their numbers. An intermediate form consists of wealthy private individuals, also called high-net-worth individuals (HNWI).

Institutional investors generally pursue one of the following two investment processes:



- In the **bottom-up procedure** or stock picking, the focus is placed on the specific selection of the individual security. Sectoral or regional diversification is rarely practiced here or only as a long-term instrument for diversifying risk

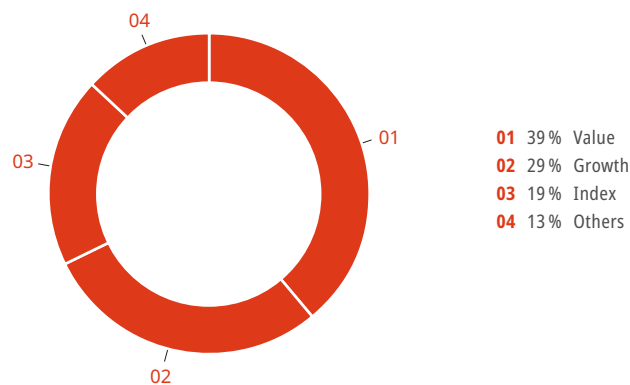


- In the **top-down procedure**, investors evaluate markets and their prospects and subsequently look for individual securities in the favored industries or regions

There are also differences when it comes to investment style.

- In the **growth approach**, the focus is placed on the growth outlook of the company, meaning that sales, profit, or cash flow per share should be growing faster than in other companies in the industry
- In the **value approach**, a favorable valuation and the stability of the investment takes center stage. Value investors look for shares that they rate as undervalued by the market, generally in association with a higher dividend yield
- Both growth and consistency with previous definitions of value are taken into consideration in the **blend or core approach**

### Investors in All SPI Companies by Investment Style



Investors in all SPI companies by investment style  
 Source: IHS Markit/IR club Schweiz, Swiss Ownership Trends Q4 2021 (rounded figures)

The above graphic shows the investors on the Swiss stock market based on their investment style. Accounting for 40 percent, value investors make up the most important group on the Swiss stock market in line with the “defensive” profile of the Swiss stock market. Index funds have grown strongly over the last few years and now account for around 20 percent of the SPI. They have become a factor that has to be taken seriously not only for large caps but also for small caps.

## 4.2 Investor Targeting

For obvious reasons, the greatest importance is attributed to the “right investor base”.

Companies estimate that their share would increase by 15 percent and the volatility would fall by 20 percent over the next two to three years if they had the perfect investor base (study by the National Investor Relations Institute and the Rock Center for Corporate Governance, see → **Bibliography**). Consequently, increased engagement with existing investors and the geographic diversification of the investor base are the two most important objectives of the companies listed in Western Europe (IR survey conducted by BNY Mellon).

A core activity for Investor Relations consists of finding out from the wide variety of potential investors which ones are a good fit for the company in question. Companies can rely on the services offered by banks and specialized consultants for this or they can take matters into their own hands. The following criteria are helpful for this. What is required for investor targeting is access to databases (see → **Chapter 4.3**) that allow investors to be selected using a variety of criteria, display current portfolio structures, and provide other market data.

### Criteria for Investor Targeting

- 1) Investment style: “Marry fundamentals with complementary shareholder base”
- 2) Peer investors: Understand why a fund owns a share of a peer
- 3) Type of investor, for example pension fund versus an ETF equity fund
- 4) Sector focus
- 5) Size of the investor, minimum investment volume
- 6) Size of the company, e.g. small cap equity fund versus a large cap equity fund; be careful when transitioning from small to mid or mid to large cap, as there are different contact partners
- 7) Investment horizon
- 8) Thematic focus, e.g. ESG or blue chips
- 9) Regional/country focus: Look at sales breakdown and, where appropriate, use local presence; take advantage of the expertise of brokers/partners/consultants

Prioritizing the criteria can be effective when selecting investors with the support of databases. The criteria “investment style” and “sectoral focus” are generally at the top of the list here. For example, investors who hold shares in competitors but who have not invested in your company can be identified using peer group comparisons.

A portfolio analysis applying other criteria will reveal which aspects play a role in the decisions taken by an investor. Aspects of your company’s own “equity story” can be accentuated on the basis of this fundamental analysis. Is your annual growth rate higher than that of the competition, for example? Then it will be worth asking the manager of a “growth” fund the question of why they have actually invested in the competition rather than in your company. Finally, it should be remembered that, along with the growth of passive vehicles, more and more investment decisions in the stock market are not made by people but by algorithms and computers.

## 4.3 IR Databases

A lot of companies operate an IR database in order to manage their investor contacts efficiently. Small and mid caps generally use hand-made Excel tables or the in-house CRM platform for this. Larger companies rely on specific IR software solutions of financial information, IR technology or other service providers. These can link the planning process directly to the planning of the roadshow or facilitate investor targeting thanks to detailed investor profiles.

## 4.4 Shareholder Identification

Shareholders often remain anonymous as a result of various market factors. Many hide in the share register behind “nominees”, people or institutions that hold shares for third parties. In combination with instruments such as shareholder identification, the share register offers companies the opportunity to find out who their shareholders are. Major companies regularly conduct this process, small and medium-sized enterprises generally only do it in special situations, for example in the event of controversial votes at the AGM (proxy solicitation of the shareholders in respect of the exercising of voting rights) or during M&A transactions.

## 4.5 Bridge – Connecting issuers with the buy side

In 2021, the Swiss Stock Exchange launched a new digital offering – “Bridge” – for listed companies and institutional investors. “Bridge” provides a consolidated overview of issuers’ company calendars and the option to contact issuers directly, which will help bring investors and companies closer together.

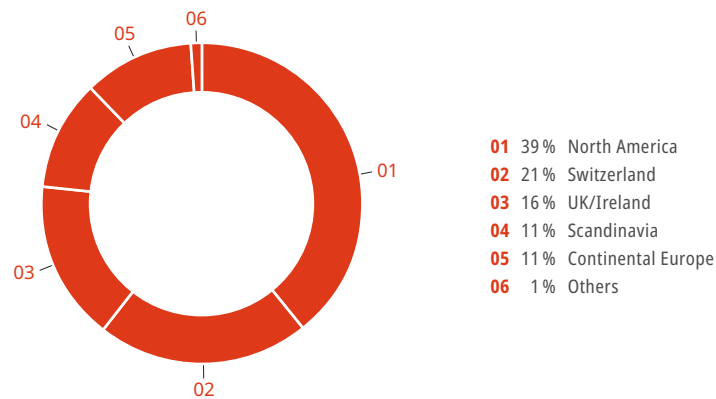
At Bridge’s core lie the **consolidated company calendars** on the Swiss Stock Exchange website. Both the companies listed on SIX and institutional investors benefit from this new free-of-charge service: Issuers are more visible to investors and can also get a closer insight into the calendars of other listed companies. This allows them to select the ideal dates for their investor days, roadshows, conference calls and general meetings.

In turn, investors benefit from being able to find consolidated information on a neutral platform and they are therefore able to make well-founded decisions on current and future investments. They can also register directly for an event held by an issuer or request contact with a company listed on SIX via the respective corporate profile.

## 4.6 Where Investors Come From

The graphic below shows where investors on the Swiss stock market come from. The high proportion of foreign investors is striking here. Accordingly, investors resident in Switzerland account for only 21 percent of the entire stock market, and this number is trending lower.

### Investors in All SPI Companies by Origin



Where investors in the SPI come from. Source IHS Markit/IR club Schweiz, Swiss Ownership Trends Q4 2021 (rounded figures)

It should be noted here that this picture is dominated by the heavy-weights on the Swiss share index such as Nestlé, Novartis, and Roche. Looking at small caps, the share of investors with a Swiss domicile is around 40 percent. The proportion of foreign investors is still high even for these smaller stocks. It follows from this that the Investor Relations activity of each company has to have an international focus.

Finally, investors typically have different sectoral preferences depending on where they come from. For example, investors from North America and Switzerland are exposed primarily to the healthcare, consumer goods and industry sectors. Scandinavian investors prefer industrial stocks, while Asian investors like to invest in shares of financial companies.

## 4.7 Investors in Switzerland

Investment funds, pension funds, and insurance companies are some of the largest institutional investors in Switzerland. The tables below provide an overview of the largest players.

### Largest Providers on the Swiss Investment Fund Market

Company	Volume
UBS	383,521
Credit Suisse	225,147
Swisscanto	129,993
BlackRock	106,823
Pictet	71,761
Vontobel	43,640
Lombard Odier	34,635
JPMorgan	29,540
Swiss Life	25,365
GAM	23,195

Source: Asset Management Association Switzerland, February 2022 (in CHF million).

Local investment funds (table above) invest around 47 percent of their funds in stocks but of course not only in Swiss stocks. It should be noted here that in comparison with their international – i.e. English and American – competitors, Swiss fund providers are significantly smaller. The four largest asset managers in the world, BlackRock, Vanguard, Fidelity and State Street, all manage more than CHF 2,000 billion, which is several orders of magnitude more than the largest Swiss provider. At the same time, the English and American fund houses are the largest providers of ETFs and are best at exploiting the trend toward passive investment strategies.

Swiss pension funds, see table below, invest around 30 percent in shares on average (bonds and real estate are the two other major categories), where around one third of this is invested in Swiss and two thirds in international equities.

### Largest Pension Funds in Switzerland

Pension funds	Volume
Swiss Federal Pension Fund PUBLICA	48,011
Canton Zurich BVK fund	42,912
UBS	32,590
Federation of Migros Cooperatives	31,104
Nestlé (group assets)	27,998
Asga	24,553
Caisse de prévoyance de l'Etat de Genève (CPEG)	23,132
City of Zurich Pension Fund	22,186
SBB	21,402
Credit Suisse	20,413
Roche	20,305
Post	19,403
Bern Pension Fund	17,204

Source: Thinking Ahead Institute/Willis Towers Watson Global 300, September 2021 (in USD million)

For specific sectors and market niches (small caps for example), there are many other actors that can definitely play a notable role in the context of Investor Relations, even if they are not one of the national heavyweights. One example is equity funds for Swiss small caps, which are listed in the table below.

### Equity funds for Swiss Small and Mid Caps

Fund	Volume
CSIF Equity Switzerland Small & Mid Cap	1,639
SaraSelect	1,528
Pictet Swiss Mid Small Cap	1,526
Swisscanto Index Equity Fund Small & Mid Caps Swit.	1,350
Vontobel Fund - Ethos Equities Swiss Mid & Small A	1,161
zCapital Swiss Small & Mid Cap Fund	1,119
UBS Instl. Fund - Small & Mid Cap Equities Switzerland	1,083
IST - Aktien Schweiz Ergänzungswerte	1,032
Swisscanto Equity Fund Responsible Small & Mid Caps Switzerland	811
LO Funds Swiss Small & Mid Caps	565
UBS Instl. Fund - Eq. Switzerland Small & Mid Cap Pass. II	515
GAM Swiss Sustainable Companies	443
CS Small Cap Switzerland Equity Fund	435
Schroder Swiss Small & Mid Cap Fund	289
AMG Substanzwerte Schweiz	166

Source: SIX Swiss Exchange/Factset, March 2022 (in CHF million). Funds domiciled abroad are not included in the list.

## 4.8 Proxy Advisors

In order to fulfill voting obligations responsibly and efficiently, many pension funds make use of the services of proxy advisors or proxy firms.

The institutions that are primarily concerned here are pension funds that hold a large number of Swiss shares either directly or through a single investor fund – irrespective of the size of the fund. While smaller institutions often lack the resources to make a decision, larger institutions are interested in basing their voting decisions on the soundest information possible.

The legal expert Mariel Hoch defines the term as follows: **“Proxy advisory is the fee-based consultation provided to institutional investors when exercising their voting rights at annual general meetings of listed companies. Proxy advisors perform this consultative function by issuing specific recommendations (FOR or AGAINST, rarely ABSTAIN) on the individual items on the agenda of an annual general meeting, where they do not take the individual interests of the investors into consideration. The recommendation and related argumentation are based on internal guidelines of the proxy advisor and are provided in report form.”** (Link to the full article in the → [Bibliography](#)).

It is generally thought that every third vote at the annual general meeting of a Swiss company with a broad shareholder base may well be influenced by proxy advisors. Domestic and foreign service providers are active on the proxy advisory market. The most important are ISS (→ [issgovernance.com](#)), followed by Glass Lewis (→ [glasslewis.com](#)). The Swiss providers, namely Ethos (→ [ethosfund.ch](#)) and zRating (→ [inrate.com](#)), are smaller but in exchange are very familiar with the local regulatory conditions. A good article on ISS can be found in Bilanz, see → [bilanz.ch/unternehmen/stimmrechtsberater-iss-so-tickt-die-aktionaers-polizei-902708](#)

It is worth seeking contact with proxy advisors in the context of the continual Investor Relations and especially in the case of capital market transactions or delicate annual general meetings. IR has to recognize their needs and also the areas of tension where there may be a significant divergence of views on the part of the company and the proxy advisors. At present, this for example affects the speed at which gender quotas and climate targets are implemented; here, voting rights advisors frequently demand more rapid action than is required under local laws. The German professional IR association DIRK has moreover published an excellent guide on dealing with proxy advisors that includes good portraits of the most important actors, see → [dirk.org/wp-content/uploads/2020/11/IR-Guide-Proxy-Advisor\\_FINAL.pdf](#) (in German only)

## 4.9 Tips

1.

It is the task of IR and, at the highest level of responsibility, the board of directors to represent all the shareholders and not just those who articulate their opinion most clearly.

5.

Shareholders often remain anonymous as a result of various market factors. In combination with instruments such as shareholder identification, the share register offers companies the opportunity to find out who their shareholders are.

4.

Prioritizing criteria can be effective when selecting investors with the support of databases. The criteria "investment style" and "sectoral focus" are generally at the top of the list here.

**2.**

Proxy advisors have sometimes rigid and also contradictory ideas and criteria when it comes to the issues of corporate governance and compensation. Each individual company has to find its own way.

Many companies operate an IR database in order to manage their investor contacts efficiently. Checking out a specific IR software solution from financial information, IR technology, or roadshow service providers is recommended.

**3.**

5.0

# Equity Research



# In a Nutshell

Equity analysis has the aim of separating the “bad” from the good and thus promising stocks.

Analysts draw up estimates for the future fiscal years for a huge range of key performance indicators, especially for sales and profit figures. These gain public relevance.

There are a large number of studies on the quality of the work performed by analysts. The majority of them come to the conclusion that the forecasts by analysts tend to be too optimistic but are better than simple extrapolations.

Communication with analysts plays a central role in Investor Relations.

ESG analyses are becoming increasingly important. On the one hand, specialist ESG rating agencies are producing these analyses, while on the other, ESG analysis criteria are being included in traditional equity research.

## 5.1 Types and Role

Equity analysts are a central link between professional investors and listed companies.

They analyze selected companies and provide a judgment on the quality and suitability of an investment. A distinction is drawn between two types of analysts:

- **Sell-side analysts** can be found at financial institutions that trade in shares, thus investment banks, brokerage houses, and private banks. Furthermore, there are specialized boutiques that are dedicated entirely to financial analysis. Sell-side analysts do not themselves invest (or only rarely) money in the companies that they write about but provide third parties with buy and sell recommendations. An individual analyst will generally cover around a dozen companies. The core of the analysis is an independent company valuation. An important basis of information for this is provided on the one hand by the detailed results and notes in the annual report and, on the other, by information on the future as well as face-to-face meetings with the management. When you read and hear about analysts in the media, they are almost always sell-side analysts.
- **Buy-side analysts** are part of an investor team that makes investments itself and directly. They generally work at investment and asset management companies. Their remit is very similar to that of the sell-side analysts. They also analyze companies, and they also form their own opinion. But they generally cover more companies in this process – two dozen rather than one dozen – and can thus normally spend less time on an individual investment. They sometimes take the reports by sell-side analysts as an occasion to take a closer look at and form their own opinion on a company. Buy-side analyses are not intended for a wider public.
- **ESG analysts** are becoming more commonplace both on the sell and buy side. Whether an ESG analysis is used as the basis for an investment decision or if it forms part of a straight sustainability strategy that focuses on the ESG analysis – all these different approaches can be found. Nowadays, it is rare for an investment decision to be made without at all taking into account sustainability aspects and the associated risks. ESG data providers audit firms using various data models and in many cases require in-depth information. It is advisable for a company to publish its own sustainability report and answer the specific questions raised by the ESG analysts as necessary.

Many thousands of different equities are available worldwide to investors to choose from. Equity analysis holds an important position here, as it enables a careful selection of stocks to be made on the basis of a variety of factors. Equity analysis thus has the aim of separating the “bad” from the good and thus promising stocks.

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### Quality of the Forecasts

How good are analysts' forecasts? There are a large number of studies on the quality of the work performed by analysts. The majority come to the conclusion that the forecasts by analysts tend to be too optimistic but are better than simple extrapolations. The quality of the analyses respectively analysts has a positive correlation here with the individual experience, the breadth of coverage of the relevant industry and the size of the employer. Good analysts know the specific industry especially well, have cultivated excellent networks and have access to the customers of the companies in question (more on this can be found in the book by Baruch Lev, see the → [Bibliography](#)).

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For this purpose, analysts draw up estimates for a wealth of key performance indicators and ratios for future fiscal years. Various data providers such as Bloomberg and the Swiss news agency AWP consolidate the published key performance indicators into consensus forecasts, generally for sales and profit or profit per share. They gain public relevance.



### Conflicts of Interest

Analysts work both for their clients and for their employers. If the employer is a bank that trades in shares, a potential conflict of interest arises, namely that analysts with pointed opinions and projections can stimulate share trading (brokerage) or optimize the valuation that is key for investment bankers with optimistic analyses in the course of a listing or a capital increase. Clear organizational divides, known as Chinese walls, and internal bank regulations are intended to minimize these conflicts of interest.

## 5.2 Expanding Research Coverage

While large companies are generally assessed by a large number of analysts, many small and mid caps set themselves the aim of enlarging their research coverage. Around half of the companies listed on SIX are covered only by one analyst or not at all, and the trend is rising. The problem for these companies is that the costs of the analysis for the financial institutions are higher than the earnings.

The following options are available in order nevertheless to receive coverage from analysts:

- Take the long road of conviction. Find analysts who cover a competitor, for example, and provide them as a high priority and at reasonable intervals with information as part of the IR program.
- Ask the "house bank" or an investment bank for a concrete offer. If an issuer is willing to commission the bank with the market making or the next capital increase, for example, it may be prepared in return to take on the research coverage. The service offered and how much it will cost will vary sharply or will depend essentially on the situation and size of the company. It is worth comparing several options with each other.
- Joining the "Stage" program of SIX (see the next chapter for more on this) or directly commissioning one of the specialist research boutiques.

## 5.3 The SIX "Stage" Program



For a variety of reasons, small and mid caps often have less liquidity. In order to support companies in raising their profile on the market and thus in obtaining a reasonable valuation, SIX offers the "Stage" program. The program aims to increase the visibility among stakeholder groups with a regularly updated fact sheet as well as research reports that are prepared by experienced partners. Further information can be found at: → [six-group.com/six-stage-program](https://www.six-group.com/six-stage-program)

## 5.4 Dealing with Analysts

Providing analysts directly, promptly, and professionally with the relevant facts at suitable intervals and with an appropriate depth of information has become normal practice. Yet opinions differ at listed companies on whether and how influence can be exerted directly on the analysts' assessments when the consensus diverges significantly from the company's own estimates or when there is a large variance between the individual estimates of the analysts. The same question is raised when an analyst suddenly issues a "sell" recommendation for a company or adopts an opinion that is in sharp contrast with that of the management. Whatever this answer may turn out to be, the Directive Ad hoc Publicity, lays down the principles of equal treatment and thus also stipulates that no price-sensitive information may be communicated to individual analysts.

The CFA Institute, a training organization for equity analysts, has published a good guide entitled "Best Practice Guidelines Analyst/Corporate Issuer Relations", which can be downloaded free of charge from the link below. It may no longer be totally new, and it is also geared to the US market, but the fundamentals nevertheless fit the bill. → [cfapubs.org/doi/pdf/10.2469/ccb.v2005.n7.4004](https://cfapubs.org/doi/pdf/10.2469/ccb.v2005.n7.4004)

## 5.5 Swiss Equity Research

Sell-side analysis has become an ever tougher market since the dot-com bubble burst.

In Germany, the number of equity analysts has since fallen from 800 to 200. The trend is moving in the same direction in Switzerland, albeit to a lesser extent. There is a lot of movement in the market, not least because of the new regulatory requirements (see sidebar on MiFID in → **Chapter 5.1**). The table below presents the most important players for Switzerland.

### Institutions with Swiss Equity Research

Type	Company
Major/investment banks	Bank of America, Credit Suisse, Citigroup, Deutsche Bank, Goldman Sachs, Jefferies, JP Morgan, Morgan Stanley, UBS
Cantonal banks	ZKB
Private banks and asset managers	Berenberg, Mirabaud, Vontobel
Specialized research and/or brokerage companies	Baader Helvea, Kepler Chevreux, MainFirst, Octavian, Research Partners, Stifel

The role of analysts has been changing since the introduction of MiFID regulations throughout Europe in 2018. It was clear there would be a certain loss of importance.

### Coverage Provided by Selected Banks and Research Institutions

	Coverage Universe	Analysts in Switzerland	Analysts Abroad	Number of SIX Equities	Number of Global Equities
ZKB	Switzerland/SPI	19	-	147	-
Vontobel	Switzerland/SPI	12	-	102	-
Research Partners	SPI	12	-	92	-
UBS	Global/SMI/SPI	8	267	86	3147
Baader Helvea/ Alphavalue	DACH Region/Cont. Europe	6	38	85	579
Credit Suisse	Global/SMI/SPI	4	209	85	2862
Kepler Chevreux	Cont. Europe; Small/Mid/Large Caps	7	115	80	1100
Stifel	SMID cap Cont. Europe, UK and US	8	171	75	2141
Octavian	SPI	8	-	67	-
Berenberg	SMID cap Cont. Europe, UK and US	-	192	42	1,253
Mirabaud	SPI	4	-	40	-
Deutsche Bank	Global/SMI/SLI	1	159	39	1,193
Jefferies	Global/Mid/Large caps	-	198	37	3,154
Morgan Stanley	Global/Mid/Large Caps	1	635	28	3,600

As at March 2022, information from respective banks and financial institutions.

## 5.6 Tips

**1.**

Each individual company should define basic rules for how to deal with analysts. The guidelines of the CFA Institute (see above) can provide a starting point for this.

**2.**

The Listing Rules and the Directive Ad hoc Publicity, stipulate that no price-sensitive information may be communicated in advance to individual analysts or investors. The principle of equal treatment applies.

**3.**

Many small and mid caps set themselves the aim of enlarging their research coverage. To this end, companies can take the long road of conviction, ask the "house bank" or an investment bank for a concrete offer, or join the "Stage" program of SIX.

6.0

# IR Activities



# In a Nutshell

Which communications satisfy investors? When evaluating and assessing the quality of a company, the majority of institutional investors – and this is what Investor Relations generally addresses – rely on:

- Data and historical time series from annual and interim reports or (more rarely, as less common) investor handbooks
- Information provided in presentations, at investor conferences, and in one-on-one meetings with the management
- In-house research on products, sector, and competition

As a result, the following activities are the focus of the IR instruments:

- Personal interaction in the form of one-on-one meetings and group presentations, based on an investor presentation
- Annual and interim reports
- Website as a central platform and as an archive
- Additionally, annual general meeting and media releases for regulatory reasons
- In contrast, neither media articles nor social media are among the primary information sources used by professional investors in Europe.

The individual IR measures are described hereafter.

## 6.1 One-on-One Meetings

<b>Description</b>	<ul style="list-style-type: none"> <li>- One or more representatives of the management meet investors or analysts of an individual institution – usually 1–2 people</li> <li>- Typical duration: 45-60 minutes</li> <li>- The management or (during initial contacts) the IR officer presents the most important facts, followed by a Q+A</li> <li>- For existing contacts, the meeting is generally limited to the Q+A</li> <li>- One-on-one meetings are frequently part of a roadshow (see next → <a href="#">chapter</a>)</li> </ul>
<b>Purpose</b>	<ul style="list-style-type: none"> <li>- Create trust and persuade investors to invest in the company</li> <li>- Receive feedback from investors on the company and the competition</li> </ul>
<b>Occasion</b>	<ul style="list-style-type: none"> <li>- During initial contact: To introduce the company and management</li> <li>- After financial results and important events: To repeat key messages, to clarify outstanding questions of the investors</li> <li>- In the run-up to or during capital increases: To create demand</li> </ul>
<b>Content</b>	<ul style="list-style-type: none"> <li>- Company profile</li> <li>- Current developments</li> <li>- Market trends</li> <li>- Strategy and its implementation</li> <li>- Financials</li> <li>- Outlook</li> <li>- Investment characteristics (“investment case”)</li> <li>- Sustainability</li> </ul>
<b>Tips</b>	<ul style="list-style-type: none"> <li>- Employ management in a targeted way, if possible have the IRO do the preparatory work and possibly also conduct the initial contact.</li> <li>- Relieve the CEO if possible; use CFO and/or head of business divisions too.</li> <li>- Use the chair of the board of directors strategically with important investors, primarily in the run-up to the AGM.</li> <li>- Don't forget preparation and follow-up: Create an overview of the last time an investor was met; topics for discussion.</li> <li>- Create investor profiles for new contacts.</li> </ul>

## 6.2 Roadshow

<b>Description</b>	<ul style="list-style-type: none"> <li>- As one-on-one meetings, but a combination of one-on-one meetings</li> <li>- Duration: Generally 2 to 3 days, longer in special cases</li> <li>- Generally takes place at the investors' premises</li> <li>- Reverse roadshows or field trips in which brokers organize a tour of a company with investors are becoming increasingly common</li> </ul>
<b>Purpose</b>	<ul style="list-style-type: none"> <li>- As one-on-one meetings</li> <li>- Sometimes part of a program to expand the research coverage or the investor base geographically</li> </ul>
<b>Occasion</b>	<ul style="list-style-type: none"> <li>- As one-on-one meetings</li> </ul>
<b>Content</b>	<ul style="list-style-type: none"> <li>- As one-on-one meetings</li> </ul>
<b>Tips</b>	<ul style="list-style-type: none"> <li>- Only go on a roadshow when there is something to say: Schedule roadshows directly after the financial figures are released in order to bring investors up to date and to clarify questions.</li> <li>- In the case of pressing issues, send out two teams at the same time. This allows a faster return to the day-to-day business.</li> <li>- Weight teams with regard to investors (investors interested in strategy: CEO; investors interested in figures: CFO).</li> <li>- Ensure one-voice policy, especially when two teams are on the road at the same time.</li> <li>- Select the right broker/partner: The quality of the investor targeting and a good sales team on-site are crucial, not the name.</li> <li>- Definitely also go on a roadshow with brokers who have issued a sell recommendation or who don't cover you.</li> <li>- Change brokers/partners regularly (access to other investors, equal treatment of brokers).</li> <li>- New roadshow destinations for the first time only CFO and/or IRO.</li> <li>- Have a clear idea of whom you want to meet: Have important investors put on the list even if these don't have contact with the broker.</li> <li>- Hedge funds are also investors! – Good sparring partners, prevent short positions.</li> <li>- No more than six meetings a day.</li> <li>- Roadshows are intensive, which is why good trip planning is key (transport and baggage logistics, back-up equipment for IT and batteries, etc.).</li> <li>- In light of the coronavirus pandemic, virtual road shows have become commonplace.</li> <li>- Get feedback (via brokers/partners) after the roadshow and forward to management.</li> <li>- Conduct promised follow-ups promptly.</li> </ul>

## 6.3 Investor Conferences

<b>Description</b>	<ul style="list-style-type: none"> <li>- Presentation to investors who have been invited by a broker or financial institutions to a one-day or multi-day program</li> <li>- Investor conferences of independent providers, especially "Investora" in Switzerland, are less frequent and primarily geared towards small and mid caps</li> <li>- There is an opportunity for one-on-one meetings before and after the presentation</li> </ul>
<b>Purpose</b>	<ul style="list-style-type: none"> <li>- As one-on-one meetings and roadshow</li> </ul>
<b>Occasion</b>	<ul style="list-style-type: none"> <li>- As one-on-one meetings and roadshow</li> </ul>
<b>Content</b>	<ul style="list-style-type: none"> <li>- As one-on-one meetings and roadshow</li> </ul>
<b>Tips</b>	<ul style="list-style-type: none"> <li>- In contrast to the one-on-one meetings, presentation skills are critical here. Who from the management team is especially good at this? It doesn't always have to be the CFO.</li> <li>- Either way, presentation skills can be trained and actually always improved, on the basis of constructive feedback...</li> <li>- ...as well as on the basis of good preparation. A training run before an important investor presentation, including simulated Q+A, prepares the speaker mentally for the occasion.</li> <li>- Presentations via the platform Salesforce are also efficient and effective; they can be used, together with an analyst or brokerage team, for a pitch to stock traders. The brokerage teams invite their traders to participate via a web or telephone conference.</li> <li>- In light of the coronavirus pandemic, virtual investor conferences have become commonplace.</li> </ul>

## 6.4 IR Presentation

<b>Description</b>	<ul style="list-style-type: none"> <li>- The IR presentation is the basis for all contacts with investors, whether these are in the form of one-on-one meetings, a roadshow, or an investor presentation</li> <li>- It describes in concentrated form the strategy, the activities, and the financial situation as well as the path by which the strategic objectives are to be achieved</li> </ul>
<b>Purpose</b>	<ul style="list-style-type: none"> <li>- As one-on-one meetings, roadshow, and investor presentation</li> </ul>
<b>Occasion</b>	<ul style="list-style-type: none"> <li>- As one-on-one meetings, roadshow, and investor presentation</li> </ul>
<b>Content</b>	<ul style="list-style-type: none"> <li>- As one-on-one meetings, roadshow, and investor presentation</li> </ul>
<b>Tips</b>	<ul style="list-style-type: none"> <li>- A good IR presentation starts with a good, compact description of the company.</li> <li>- What are the USPs of the services and products? This often gets ignored.</li> <li>- Place the result of the current period in the medium-term trajectory.</li> <li>- Connect the net income to the overall result and cash flow.</li> <li>- Present the upcoming milestones and, if possible and sensible, their potential influence on the assessment.</li> </ul>

### The Perfect Presentation to Institutional Investors

Dos (Maxim: "Less Is More")	Don'ts
Link the reporting period to implementation of strategy	1st slide crammed with highlights from the financial year
Description of the products and the competitive advantages	Description of the company that is simple or too detailed
Description of the markets/customer segments	Description of the organization (segments)
Important changes in customer requirements and internal response to these	Simple mention of the internal decision: "Opening/closure of the ABC site"
Where are the products and the company heading in the medium term. Do earlier targets still apply?	Precise outlook for the next 3-6 months (instead of ranges)
Key financial figures from the past period and reasons for deviation from the norm/target	Simple comparison with reference period
Presentation of the historical value added	Comments on valuation or share price
Explanations on cash flow and net income	Assumption that annual report is enough for this
Inclusion of sustainability aspects	

The perfect IR presentation, Source: Schroders

## 6.5 IR Conference Call/Video Conference

<b>Description</b>	<ul style="list-style-type: none"> <li>- IR conference calls or video conferences are an efficient instrument as a follow-up to an important media release.</li> <li>- They are generally based on a presentation, which is made available on the IR website on the morning of the conference call.</li> <li>- The presentation is less crucial, it is the Q+A that is more critical.</li> <li>- Duration: Generally around 30 to 60 minutes</li> <li>- The conference call is announced promptly on the website, investors (and generally also the media) are invited to it 1-2 weeks before the call.</li> <li>- Most companies make the audio or video file publicly available on their IR website after the conference.</li> </ul>
<b>Purpose</b>	<ul style="list-style-type: none"> <li>- Communicate core messages</li> <li>- Clarify general investor questions</li> </ul>
<b>Occasion</b>	<ul style="list-style-type: none"> <li>- After financial results</li> <li>- When there are important events such as M&amp;As, long awaited licenses for key products, unexpected problems such as profit warnings for example</li> </ul>
<b>Content</b>	<ul style="list-style-type: none"> <li>- Dependent on the specific event</li> </ul>
<b>Tips</b>	<ul style="list-style-type: none"> <li>- Provide a short summary to introduce the key messages and end the conference after the Q+A with the core statements.</li> <li>- Prepare a script for both...             <ul style="list-style-type: none"> <li>- ... and also for the presentation that will be discussed.</li> </ul> </li> <li>- Presentations during conference calls should be as compact as possible: no more than a dozen slides, no longer than 15 minutes. The shorter, the better.</li> <li>- A growing number of companies are doing without an introductory presentation and are holding just a Q+A session.</li> <li>- If problematic facts are involved, describe these in the introduction and a carefully prepared statement and refer to them in the Q+A.</li> <li>- A conference call makes sense only when a good answer can be given to most of the investors' questions. In certain crisis situations where this is not the case, one-on-one meetings are sometimes more constructive.</li> <li>- Each conference should be introduced and chaired by a moderator, including professional technology (no open lines).</li> <li>- Various providers of conference calls and video conferences offer IT solutions that present by name the participants and people who want to ask questions – very useful information.</li> </ul>

## 6.6 Annual and Interim Reports

<b>Description</b>	<ul style="list-style-type: none"> <li>- In accordance with the Listing Rules of SIX, issuers are required to publish an annual report and a semi-annual report.</li> <li>- In contrast, the publication of quarterly financial statements is optional.</li> <li>- The publication requirements are described in the Listing Rules of SIX as well as in the Directives on Regular Reporting Obligations (DRRO), Financial Reporting (DFR), Ad hoc Publicity (DAH) and Corporate Governance (DCG) (see → <a href="#">Chapter 8</a>).</li> </ul>
<b>Purpose</b>	<ul style="list-style-type: none"> <li>- Reporting on the fiscal year or the period in question</li> <li>- Transparent presentation of the financial situation</li> <li>- Sometimes also meets the purpose of a company portrait</li> <li>- Obligation to maintain the listing</li> </ul>
<b>Occasion</b>	<ul style="list-style-type: none"> <li>- Publication at the latest four months after the balance sheet date for the annual financial statements, time limit of three months for the semi-annual financial statements</li> </ul>
<b>Content</b>	<ul style="list-style-type: none"> <li>- Letter to shareholders from the chair of the board of directors and/or CEO, including statements on the strategy and its implementation (optional)</li> <li>- Sectoral reports (optional)</li> <li>- Detailed financial report, in accordance with relevant accounting standard</li> <li>- Sustainability report (optional); from the 2023 financial year, mandatory under Art. 964 (CO)</li> <li>- Special additional rules on the financial reporting apply for real estate and investment companies</li> <li>- Report on the corporate governance (only in the annual, not, however, in the semi-annual report) → <a href="https://ser-ag.com/dam/downloads/regulation/listing/directives/DCG-en.pdf">ser-ag.com/dam/downloads/regulation/listing/directives/DCG-en.pdf</a></li> </ul>
<b>Tips</b>	<ul style="list-style-type: none"> <li>- Investors primarily read the report from the chair of the board of directors and CEO as well as the financial section (including notes).</li> <li>- A good catalog of criteria for the contents of an annual report (basis of the annual ranking list for the value reporting) can be found in the brochure "Swiss Annual Report Rating 2021", from page 74 → <a href="https://geschaeftsberichte-rating.ch/2021/downloads">geschaeftsberichte-rating.ch/2021/downloads</a></li> <li>- More and more companies are switching to publishing the annual report only on the website.</li> <li>- The media release on the annual and semi-annual report must include a link (direct URL) to the report in question, or the complete document can be attached in PDF format to the media release.</li> <li>- Annual and interim reports must always be published with an ad hoc announcement since 2021 pursuant to Art. 4 para. 2 DAH.</li> </ul>

## 6.7 Website

<b>Description</b>	<ul style="list-style-type: none"> <li>- The company website presents the information relevant for all stakeholder groups – and especially for investors – in a structured form.</li> </ul>
<b>Purpose</b>	<ul style="list-style-type: none"> <li>- Communication of all relevant facts at a glance</li> <li>- More in-depth information for example on the financial report and on the corporate governance</li> <li>- Archive function</li> </ul>
<b>Occasion</b>	<ul style="list-style-type: none"> <li>- The listing on SIX is accompanied by the requirement to provide on the company website information that is relevant not only for customers and employees, but also for investors and the media.</li> </ul>
<b>Content</b>	<ul style="list-style-type: none"> <li>- SIX has issued few regulations governing what a company website has to contain.</li> <li>- The mandatory material includes the corporate calendar (annual general meeting, publications dates of the annual and interim financial statements), ad hoc announcements, and the annual and interim reports.</li> <li>- In addition, the vast majority of companies provide information on the website concerning:             <ul style="list-style-type: none"> <li>- Company portrait, strategy, activities</li> <li>- Corporate governance</li> <li>- Specific investor topics</li> <li>- Media releases</li> <li>- Sustainability</li> </ul> </li> <li>- The scope and contents will depend heavily on the size and the activity of the company.</li> </ul>
<b>Tips</b>	<ul style="list-style-type: none"> <li>- The website is the business card, also for investors. First-time visitors should be able to find the most important information easily and not have to search around for a long time.</li> <li>- Studies show that investors are more interested in the “About us” pages than the IR pages; therefore greater attention must be paid to the former, for example with special sections on their strategy, the business model and the markets in which they operate.</li> <li>- The writing team of the Value Reporting annual report (see → <a href="#">previous chapter</a>) publishes good criteria for content for IR websites in the brochure “Swiss Annual Report Rating 2021”, from page 80, criterion 10 Value Reporting on the Internet → <a href="https://www.geschaeftsberichte-rating.ch/2021/downloads">geschaeftsberichte-rating.ch/2021/downloads</a></li> <li>- Any need for action from the investor's viewpoint is frequently placed on the landing page of the IR website. This should provide a compact presentation of the most important IR information, including the IR presentation for download.</li> <li>- Pursuant to Art. 9 para. 1 DAH, ad hoc announcements have to be uploaded on the issuer's website in an easy to find directory in chronological order indicating the date of distribution.</li> </ul>

## 6.8 Media Releases

<b>Description</b>	<ul style="list-style-type: none"> <li>- Media releases are a suitable means for communicating news quickly and efficiently.</li> <li>- The disclosure of information on price-sensitive facts must begin with a classification as "ad hoc-announcement pursuant to art. 53 LR".</li> </ul>
<b>Purpose/ occasion</b>	<ul style="list-style-type: none"> <li>- Communication of price-sensitive information and other information that is of interest to investors</li> <li>- Please see → <a href="#">Chapter 8.6</a> for more detailed information on Ad hoc Publicity</li> </ul>
<b>Content</b>	<ul style="list-style-type: none"> <li>- Title and lead with core statements and, if applicable, the flagging as "ad hoc announcement pursuant to art. 53 LR"</li> <li>- Explanatory text</li> <li>- Tables and more detailed information and weblinks if necessary</li> <li>- Contact details (telephone numbers and e-mail addresses)</li> <li>- Short company portrait (boilerplate)</li> <li>- Possible legal notices (disclaimer)</li> </ul>
<b>Tips</b>	<ul style="list-style-type: none"> <li>- Price-sensitive information must be disclosed as soon as the company becomes aware of the essential elements of the matter at hand. If possible, the announcement must be published outside of critical trading hours (before 7:30 am or after the close of trading at 5:40 pm). If, in exceptional cases, the announcement is made during trading hours, SIX Exchange Regulation AG must be informed at least 90 minutes before publication.</li> <li>- In order to remain capable of acting in the event of an IT problem, the most important recipient addresses (cf. the Directive Ad hoc Publicity) must be stored in a separate system and access to it must be secured.</li> <li>- A buffer is also recommended in terms of the exact time of publication so as not to come into conflict with the above time limits (90 minutes before the start of trading) in the event of an IT problem.</li> <li>- The core statements of a media release, even if this involves sensitive or negative facts, must be presented appropriately, meaning in the title, the lead or at the least on the first page.</li> <li>- The telephone numbers stated in the media releases should be reachable and operational from the time the release is sent.</li> <li>- Since 2021, ad hoc announcements must be flagged as such, and uploaded to Connexor and saved in an easy to find directory on the website.</li> </ul>

## 6.9 Annual General Meeting

<b>Description</b>	<ul style="list-style-type: none"> <li>- Annual meeting of the shareholders stipulated in the Swiss Code of Obligations; extraordinary meetings as required.</li> <li>- The annual general meeting (AGM) is generally convened by the board of directors; it can also be requested by one or more shareholders who together represent no less than 10 percent of the share capital.</li> <li>- For the non-transferable powers of the AGM and other legal bases, see Articles 698 ff. of the Swiss Code of Obligations → <a href="https://admin.ch/opc/de/classified-compilation/19110009/201704010000/220.pdf">admin.ch/opc/de/classified-compilation/19110009/201704010000/220.pdf</a></li> <li>- For companies listed on SIX and domiciled abroad, the legal provisions of the relevant country will apply.</li> </ul>
<b>Purpose</b>	<ul style="list-style-type: none"> <li>- The AGM is the decision-making body of the company under stock corporation law.</li> <li>- It is frequently also the only platform for direct communication with the small shareholders.</li> <li>- In special cases, for example in crisis situations or controversial M&amp;A projects, AGMs are also relevant with regard to the media and have a broader reputational impact.</li> </ul>
<b>Occasion</b>	<ul style="list-style-type: none"> <li>- In accordance with the Swiss Code of Obligations, AGMs must be held no later than six months after the annual financial statements.</li> </ul>
<b>Content</b>	<ul style="list-style-type: none"> <li>- The statutory duties include stipulating and amending the articles of association, electing the members of the board of directors and the auditors, approving the management report and the consolidated financial statements, approving the annual financial statements, and adopting the resolution on the appropriation of the net retained profit, especially setting the dividend, and granting formal approval for the actions of the members of the board of directors.</li> <li>- The AGM holds a binding and separate vote on the compensation that is received by the board of directors and the management of the company. The articles of association regulate the details of the vote (see → <a href="#">Chapter 2.6</a>).</li> <li>- From the 2024 GM, the sustainability report must also be submitted to the meeting for approval</li> <li>- The addition of other items to the agenda is the responsibility of the board of directors.</li> <li>- Social program as an option.</li> </ul>
<b>Tips</b>	<ul style="list-style-type: none"> <li>- Whether and how the AGM is to be used as a platform for reputational purposes, moving beyond its legal obligations, has to be defined as part of the corporate communication.</li> <li>- Early exchanges with the most important institutional investors and proxy advisors is recommended in the case of important votes – for example, issues relating to corporate governance or compensation.</li> <li>- If the media are interested, a separate PR concept and specific media services will be required.</li> <li>- If the invitation to the AGM or the results of votes contain facts that the issuer classifies as price-sensitive, the rules of Ad hoc Publicity apply. In this case, an ad hoc announcement must be published. In addition, the original documents must be uploaded to the homepage.</li> </ul>

Following the introduction of the new Company Law as of the start of 2022, certain rules regarding general meetings have also changed; see → [Chapter 8.11](#)

## 6.10 Social Media

Description	<ul style="list-style-type: none"> <li>- Social media channels have now become an established element of corporate communications.</li> <li>- The most important platforms for IR include Twitter, LinkedIn, Facebook, and YouTube (company blog, if present).</li> </ul>
Purpose	<ul style="list-style-type: none"> <li>- Ability to address (small) shareholders on a wider scale</li> <li>- Simple and efficient instrument for announcing news</li> <li>- Extensively self-administered distribution list (via Twitter)</li> </ul>
Occasion	<ul style="list-style-type: none"> <li>- Social media are used primarily to distribute media releases on a wider scale and in the event of important IR events (investor day, investor presentations)...</li> <li>- ... and for swift, simple dialog.</li> </ul>
Content	<ul style="list-style-type: none"> <li>- Summary of media releases, link to more detailed information</li> <li>- In the case of IR events (investor day, investor presentations), they are also suitable for giving advance notice, for updates during an event, and as follow-up.</li> </ul>
Tips	<ul style="list-style-type: none"> <li>- Social media represent a "fast" medium, particular caution has to be exercised to ensure that the information distribution is correct and not published too early.</li> <li>- Conduct live chats – the community can be expanded and cultivated in this way, e.g. #RiskChat with company X.</li> <li>- Create your own hashtags: #InnoDay of company X – #UnlockThePotential.</li> <li>- Use cashtags: Dollar signs and stock exchange symbols, e.g. \$ABCD.</li> <li>- Live-stream an investor day via Periscope (requires technical expertise).</li> <li>- Provide sufficient resources.</li> <li>- Do not forget international monitoring.</li> <li>- Ensure one-voice policy and employee training</li> <li>- The German IR association DIRK has published a good guide on the topic, see → <a href="https://dirk.org/wp-content/uploads/2020/11/Best-Practice-Guide_Internet-und-Social-Media_final.pdf">dirk.org/wp-content/uploads/2020/11/Best-Practice-Guide_Internet-und-Social-Media_final.pdf</a> (in German only).</li> </ul>

## 6.11 Tips

**5.**

Early exchanges with the most important institutional investors and proxy advisors is recommended in connection with the annual general meeting, especially in the case of important votes (issues involving corporate governance or compensation).

**4.**

More and more companies are switching to publishing the annual report only on the website.

**1.**

The most important IR instruments are one-on-one meetings, roadshows, and investor presentations. The resources should be employed primarily to organize these direct investor contacts efficiently and effectively.

**2.**

The IR presentation is the key document. It should be thoroughly revised at least once a year.

**3.**

The website is the business card and generally the first point of contact. "There is no second chance to make a first impression!" Investors are interested not only in the IR part but even more so in the "About us".

7.0

# Monitoring the Market and Measuring Success



## In a Nutshell

Numerous instruments are available for monitoring and assessing the market and how the company is perceived.

Analyzing market-related key performance indicators and systematically evaluating the management of relations with investors are recommended as a minimum.

The success of Investor Relations measures is very difficult to verify objectively. In fact, causal relationships can generally only be assumed.

Nevertheless, there are proxy values related to the stock market and publicity that can provide indications of the success of the IR measures, provided they are calculated over a lengthy period.

# 7.1 Market Monitoring

In order to find out how the company is perceived, IR officers have to monitor the market and especially the investor community on a continual basis.

This can be done using investor surveys and analyses. A company's reputation on the capital market is generally determined by a relatively small number of networked investors who possess instructive information. If they are willing to provide the information (which is not always the case, however), these individuals can be asked about the current market situation and the company (see → **Chapter 7.3**). Maintaining contacts with small shareholders can also be worthwhile, as they form a stable survey group thanks to their long-term approach to investments.

Totally independent of the scope in which surveys are conducted, every IR officer is advised to keep up-to-date data material easily at hand. Quantitative key performance indicators, as described in the next → **chapter** of measuring success, provide pointers for assessing the IR work. These can be compiled for evaluation in a report sheet and analyzed every three to six months.

IR officers should be able to guarantee that the market is being monitored and the relevant key performance indicators can be announced over a period as long as possible. Constantly reselecting the key performance indicators to achieve a positive image is not recommended. Using a range of measurement values that can be combined well together is additionally recommended when selecting the key performance indicators.

## 7.2 Measuring Success

The success of IR measures is difficult to verify objectively.

Measuring success always requires a causal connection between the measure and its effect. This can rarely be unequivocally established in communications.

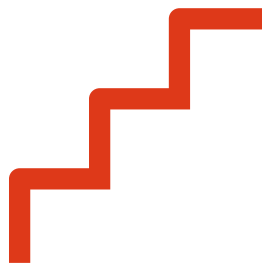
What kind of quality is the IR communication? What effects does it trigger: Satisfaction, trust, investor loyalty? How sensibly are budgets employed? An isolated measurement of the impact is almost impossible in practice, while the operationalization of the target values has proved to be problematic. Hardly any suitable measurement models and instruments are available. In fact, causal relationships can generally only be assumed today. Systematic controlling of the Investor Relations that goes beyond the measurement of success does not exist. A “return on investment”, which allows income and expenses to be allocated to individual measures, cannot currently be realized on account of the problems described.

Nevertheless, there are tests and ways that demonstrate a measurement of IR success by systematically obtaining data that are objective as possible on the effectiveness of the measures carried out. Empirical studies for the stock market in the US show that the market valuation of companies with good financial reporting is significantly higher in comparison with the industry average and that these companies report a lower volatility.

### Defined Strategy and Targets as the Basis for Measuring Success

First of all, it should be established whether the investments in the management of the Investor Relations are worth it in terms of the defined targets and whether they are appropriate. To this end, it is important to evaluate the impact both of individual instruments and of the whole program. The relevance of strategic objectives for Investor Relations is once again demonstrated here. The measurement of success primarily examines the previously defined IR goals, and the identification of suitable criteria for success depends crucially on the defined target values.

What should actually be measured then? The proxies for monitoring success and the levels of the measurement of success provide a starting point. See the two figures on the next page.



### Measuring the Success of IR Measures

Criteria for Measuring Success in Terms of the Stock Market	Criteria for Measuring Success in Terms of Publicity
Trends in the size and composition of the shareholder base (especially commitment of institutional investors after IR activities)	Number of IR presentations and IR interviews
Performance of the share price relative to the general market and to the industry (analysis of dividend yield, PER, PCFR and PBR)	Behavior related to the demand for information, understanding of the information communicated, and level of knowledge about the company among multipliers and investors
Trends in the security-specific volatility in a sectoral and time comparison	Acceptance/assessment in the financial community of the IR activities conducted (including by means of participant numbers at event, criticism expressed, feedback)
Trends in stock market sales before and after IR activities (e.g. financial analysts' meeting, press conferences, roadshows, etc.)	IR rating from independent institutions (e.g. FuW, pro Swiss Invest, SVFV)
Willingness of investors to commit during capital increases and in the case of shareholder options	Number/frequency and also quality of the contents of the company studies and press reports written about the company as well as stock recommendations expressed
Investment loyalty of investors in crisis situations and downward trends in the results and share price	Profile/financial image of the company in the financial community
	Accuracy of the forecasts in the earnings estimates published by analysts

Proxies for measuring the success of IR measures. Source: Drill

Proxy values related to the stock market and publicity can provide indications of the success of the IR measures only if they are calculated over a lengthy period. This is because the share price is much more heavily dependent in the short term on the general market sentiment, trends, and economic climate.

### Levels of Measurement of Success of Investor Relations



Levels of the measurement of success. Source: Porak

**At What Levels Can the Success of IR Be Assessed?**

- At the output level, the quantity of the pure “production output” of the IR communications can be measured. This includes, for example, the number of contacts with investors, conference calls, or visits to the IR website.
- At the outgrowth level, the perception by the target groups is surveyed in quantitative and qualitative terms. How was the communication output perceived and how was it understood?
- At the outcome level, the impact of the information on the attitude and the behavior of the target group is examined. Measurement instruments include perception studies (see next → **Chapter 7.3**).
- Finally, it can be investigated at the outflow level what influence the change in attitudes and behavior has on the value added and the enterprise value.

It should be noted that the currently practiced methods move for the most part in the area of the performance measurement and do not deal with the actual success (outcome and outflow).

It generally holds true that success can be expected only as the result of continual and long-term IR work. The confidence of investors is difficult to win using short-term campaigns that are conducted on a case-by-case basis, for example immediately before a capital increase, and it is impossible to measure any success here systematically.

The following quantitative and qualitative metrics can be consulted in the course of a pragmatic and sensible implementation of the measurement of success. However, they offer only a rough and frequently unrepresentative picture of the IR success, and they lack causality. Virtually all methods neglect the acceptance and decision-making processes of the actors on the capital market whose behavior is, however, crucial for the assessment of the company and thus the success of the IR measures. A combination of qualitative and quantitative measures therefore seems worth striving for.

### Quantitative Metrics

- Share price: performance comparison with a peer group or leading index
- Volatility: fluctuation of a share in comparison with the overall market
- Capital costs: allow indirect conclusions to be drawn on IR
- Investor mix: As a rule, private investors own fewer shares than institutional investors but tend to hold their portfolios for a much longer time, which plays a part in reducing price volatility. Inside investors generally have extremely long holding periods.
- Investors by geographical distribution: The success of a roadshow can be measured by the geographical distribution of the shareholders. The analysis can also be used to plan the next roadshow (for example in a region with few investors up to now).
- Purchases and sales: Important additions and disposals in the share register and in accordance with SIX reporting obligations should be systematically recorded.
- Bid-ask spread: Investors would like to know the transaction costs for purchasing and selling shares.
- Average holding period: The aim of IR is to increase the holding periods and reduce the volatility.
- Stock in circulation: The number of available shares for trading influences the price stability. If a lot of securities are available for trading on the market, large daily trading volumes can be coped with and the price stability increased as a result. In turn, this increases the attractiveness of the stock.
- Trading volume: Regular roadshows can help increase the trading volume over the long term, and liquidity can be improved as a result.

Other quantitative key performance figures can be found in the book by Steven Bragg, pages 225 ff.

### Qualitative Metrics

- Perception studies (survey of capital market participants)
- Analyst coverage: Analysts' reports are an instrument for selling shares. One of the goals of IR is to generate research coverage for the company that is as broad as possible.
- Number and composition of the participants at broker conferences, on conference calls, and at investor days (reflects interest in the company)
- Analysis of the contents of research reports on the sell side (investigation of the deviations)
- Use of the IR web pages (access statistics and assessment of the quality of the content)
- IR ratings published annually by organizations and the media

## 7.3 Perception Studies

How well do you know the market? How we perceive ourselves and how others perceive us often do not match.

By systematically questioning various stakeholder groups on the capital market, perception studies reveal the view that the market has on the company with regard to issues such as strategy, innovation, positioning, management, and communication. Surveying the perception of the company is a suitable measure of the success of the IR, as it is essentially influenced by the company's communications. The results shed light on information and communication deficits as well as the potential for optimization that can be derived from that. Repeating a study of this kind every 12–18 months, with identical questions, is advisable in order to gain a systematic evaluation and to identify any changes.

### **The Procedure for Performing a Perception Study Is Divided into Three Steps:**

- The first phase involves preparing the survey and defining the scope and nature of the interviews (possibly with the help of an external service provider). To this end, the current information material is inspected and survey objectives, target groups, geographical target area, and the contents of the survey are defined.
- The focus of the second phase is the implementation of the survey and the evaluation and documentation of the results.
- The third phase looks at the impact on the communication strategy and objectives. Based on the survey of perception, a company obtains starting points concerning the current information requirements and target group-specific indicators for future measures.

The greater the market capitalization and thus the investor base of a company are, the more reliable the results will turn out to be. This means that, for small caps, the results will sometimes have to be treated with caution, as it is frequently the case that only a dozen or so institutional investors are themselves invested or deal regularly with the company in question. The picture is shaped by only a few voices.

For medium and large companies, it can be worthwhile conducting studies of this kind in various markets – Switzerland, Europe/UK, the US, for example – especially as the perception can frequently vary significantly from country to country.

A prerequisite for good perception studies is finally that they are carried out by a neutral party that can guarantee confidentiality to the investors and analysts interviewed. It is then more likely that they will talk freely.

## 7.4 Tips

**1.**

Closely monitoring the market and continually managing relations provides “subliminal” knowledge and prevents surprises.

**5.**

Perception studies should be conducted by a neutral party that can ensure confidentiality to the investors and analysts surveyed.

**2.**

The relevant key IR performance indicators on the company's stock are included in the regular reporting for the attention of the board of directors and the management.

The impact of IR measures has to be measured on the basis of the previously defined objectives and using the long-term analysis of qualitative and quantitative metrics.

**3.**

It generally holds true that success can be expected only as the result of continual IR work.

**4.**

8.0

# Regulatory Environment, Rules and Reporting at SIX



# In a Nutshell

Companies listed on SIX have various obligations to provide information to their investors and the public.

These obligations serve to ensure continual transparency about the listed company.

A distinction is drawn between recurring and event-related obligations. The CONNEXOR reporting plays a central role in the recurring or regular reporting obligations. CONNEXOR reporting is the official electronic reporting platform for transmitting facts subject to reporting obligations and ad hoc announcements to SIX Exchange Regulation AG.

The rules governing Ad hoc Publicity are the most important in terms of the event-related obligations.

Each issuer needs a clear regulation governing the responsibilities, including a deputy, for the Ad hoc Publicity. The personnel and IT infrastructure must be designed in such a way that a media release can be written, signed off on, and published within the shortest time frame at any time, which includes back-up plans in case of an IT malfunction for example.

Finally, the issuers are responsible for defining proprietary rules and procedures regarding insider information. The companies are responsible for ensuring that the necessary control mechanisms have been installed and that criminal behavior is detected.

## 8.1 Relevant Regulators

Swiss legislation demands from stock exchanges that they issue, monitor, and enforce rules for issuers and stock market participants.

SIX, which includes the exchanges SIX Swiss Exchange AG and SDX Trading AG as well as the multilateral trading system SIX Repo AG, pursues a consistent policy of separating regulatory functions from the operating business, while in its regulatory remit under stock exchange law it also maintains a firm distinction between rule making, rule enforcement and jurisdiction.

### **Special Regulatory Bodies Have Been Created for This Purpose:**

#### **– Regulatory Board**

Defines the rules for issuers and participants (including traders) in the regulations; the rules issued by the Regulatory Board must be submitted to the Eidgenössische Finanzmarktaufsicht FINMA (Swiss Financial Market Supervisory Authority) for approval.

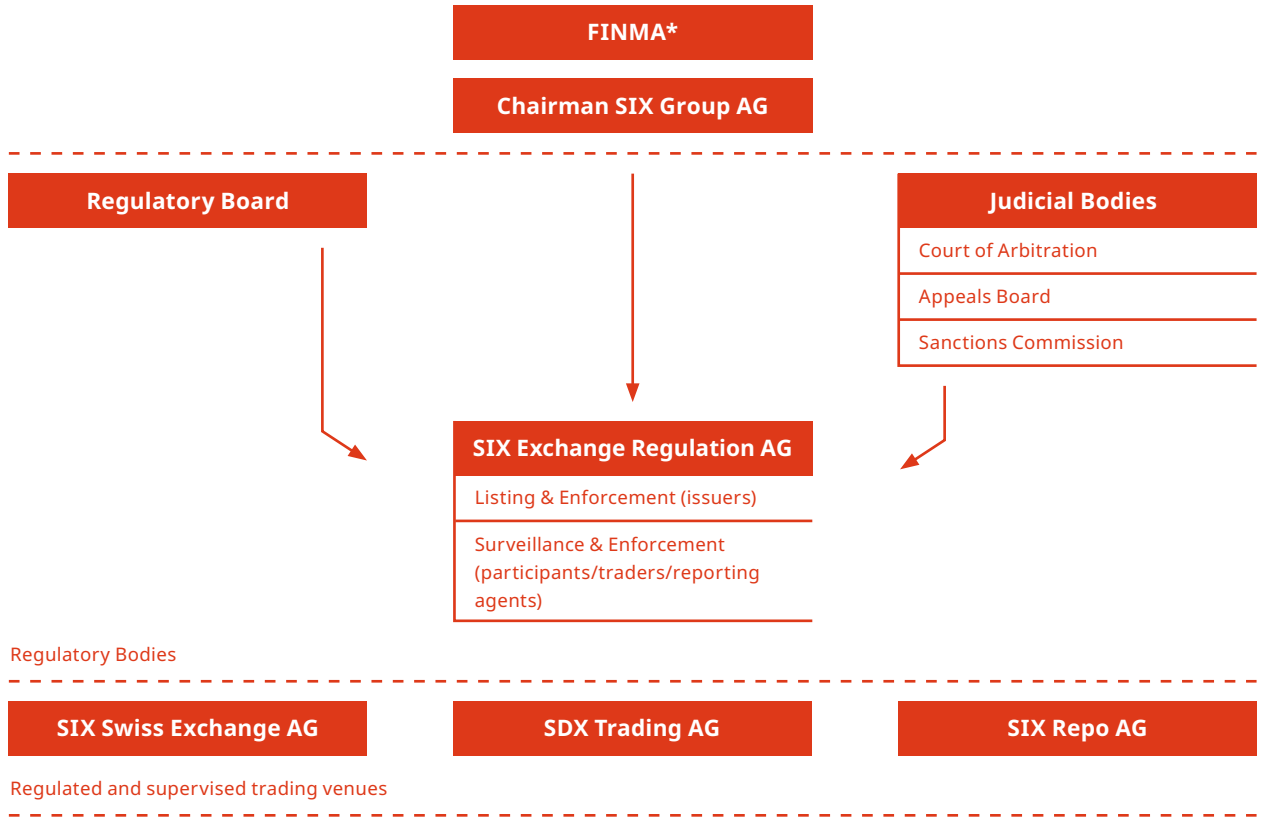
#### **– Three Judicial Bodies**

The Sanctions Commission, Appeals Board, and Court of Arbitration issue decisions concerning breaches of the regulations if the proceedings are not concluded by means of a sanction notice by SIX Exchange Regulation AG

#### **– SIX Exchange Regulation AG**

SIX Exchange Regulation AG regulates and supervises exchange participants and issuers within the scope of self-regulation. Its tasks also include the listing of securities on the stock exchange of SIX. SIX Exchange Regulation AG issues sanction notices, if the rules grant it this competence, or submits proposals for sanctions.

**Schematic Overview of the Regulatory Bodies Relevant for SIX**



\*Supervision and approval of the rules

For more information, see:  
 → [ser-ag.com/en/about.html](https://ser-ag.com/en/about.html)

## 8.2 Listing and Admission to Trading

Access to SIX is granted through listing or admission to trading.

### 8.2.1 Listing

Listing, or the approval of securities to exchange trading, occurs upon application by the issuer. The process follows various regulatory standards depending on the security category, listing requirements and accounting standards. The listing application must be submitted by a recognized representation. Bonds and derivatives can be registered and provisionally approved for listing via CONNEXOR Listing or Internet Based Listing.

### 8.2.2 Admission

International stocks and bonds that are already listed on a recognized foreign exchange can be admitted to trading on SIX upon application by an exchange participant without having to go through the full listing process. This simplified procedure is also available to domestic and foreign investment funds in the SIX Swiss Exchange-Sponsored Funds trading segment.

## 8.3 Recurring and Event-related Obligations

The obligations of a company with a primary listing to provide information are straightforward on SIX in comparison with other stock exchanges. Quarterly reporting is optional, for example.

### Recurring and Event-related Obligations

Recurring Obligations	Event-related Obligations
<p><b>Corporate Reporting</b></p> <ul style="list-style-type: none"> <li>- Financial reporting: annual &amp; semi-annual report, alternative performance measures</li> <li>- Corporate governance: information on the governance and management of the company (e.g. composition and compensation of the board of directors and of the management); "comply or explain" rule</li> </ul>	<p><b>Ad hoc Publicity</b></p> <p>Information on price-sensitive facts (e.g. material changes in earnings, restructuring, purchase offers). Annual and interim reports must be published with an ad hoc announcement.</p>
<p><b>Regular Reporting</b></p> <p>Technical and administrative information on the issuer and on the securities (e.g. information on dividends)</p>	<p><b>Disclosure of Management Transactions</b></p> <p>Reporting of all relevant transactions by the board of directors and management</p>
	<p><b>Disclosure of Shareholdings</b></p> <p>Reporting by the person or group subject to reporting obligations when reaching, exceeding or falling below the voting right thresholds of: 3%, 5%, 10%, 15%, 20%, 25%, 33 1/3%, 50% or 66 2/3%</p>

Communication requirements for maintaining a listing on the Swiss Exchange

The individual requirements are outlined individually below.

## 8.4 Corporate Reporting

### 8.4.1 Financial Reporting

#### 8.4.1.1 Financial Accounting

Issuers listed on SIX are required to convey a true and fair view of their net assets, financial position and results of operations based on a recognized financial reporting standard in their financial reporting twice a year. These are the following:

- International Reporting Standard: IFRS, US GAAP
- Swiss Reporting Standard: Swiss GAAP FER, the financial reporting standard under the Swiss Banking Act
- Standard for Investment Companies: IFRS, US GAAP
- Standard for Real Estate Companies: IFRS, Swiss GAAP FER
- Standard Sparks: IFRS, US GAAP, Swiss GAAP FER, the financial reporting standard under the Swiss Banking Act
- Standard for SPACs: IFRS, US GAAP
- Standard for Depository Receipts: IFRS, US GAAP

#### Further Information

For the Directive Financial Reporting, see

→ [ser-ag.com/en/topics/corporate-reporting.html](https://ser-ag.com/en/topics/corporate-reporting.html)



### 8.4.1.2 Alternative Performance Measures

For issuers of equity securities, there are transparency requirements regarding the use of Alternative Performance Measures (APMs) effective since 1 January 2019. According to these requirements, APMs shall not be misleading. To achieve this, the following requirements apply:

- Clear and comprehensible definition of APMs
- Meaningful labelling
- Reconciliation statement
- Prominence of presentation
- Consistency
- Disclosure of deviations from consistency

#### Further Information

For the Directive Alternative Performance Measures, see

→ [ser-ag.com/dam/downloads/regulation/listing/directives/DAPM-en.pdf](https://ser-ag.com/dam/downloads/regulation/listing/directives/DAPM-en.pdf)

## 8.4.2 Corporate Governance

The rules on corporate governance instruct the issuers to publish important aspects relating to the senior management of their company or to provide substantial justification as to why these disclosures are not published. This includes information on the:

- Organizational structure of the group, including all subsidiaries and information on the significant shareholders
- Composition of the board of directors (with short curriculum vitae)
- Composition of the management (with short curriculum vitae)
- Compensation of the board of directors and management
- Shareholders' participation rights
- Audit
- Information policy
- Quiet periods
- "Change of control" and defensive measures
- "Comply or explain" rule: Non-disclosures have to be substantiated.

For more information concerning the contents and the scope of the disclosure requirements of issuers in the Directive Corporate Governance (DCG), see:

→ [ser-ag.com/dam/downloads/regulation/listing/directives/DCG-en.pdf](https://www.ser-ag.com/dam/downloads/regulation/listing/directives/DCG-en.pdf)

As of 1 July 2021, the revised Directive Corporate Governance (DCG) holds. Explanatory notes to the individual amendments and additions can be found in the Issuers Committee Circular No. 1 - Revised provisions in the area of ad hoc publicity and corporate governance, see

→ [ser-ag.com/dam/downloads/regulation/listing/circulars/IC-CIR1-en.pdf](https://www.ser-ag.com/dam/downloads/regulation/listing/circulars/IC-CIR1-en.pdf)

SIX Exchange Regulation AG has created a microsite with additional information and an FAQ concerning the revised provisions in the areas of ad hoc publicity and corporate governance, see:

→ [ser-ag.com/en/projects/revision-ad-hoc-.html](https://www.ser-ag.com/en/projects/revision-ad-hoc-.html)

Further information can additionally be found on this website:

→ [ser-ag.com/en/topics/corporate-reporting.html](https://www.ser-ag.com/en/topics/corporate-reporting.html)

### 8.4.3 Sustainability Reporting

As of 1 July 2017, a regulation (art. 9 of the Directive Corporate Governance) became effective, allowing listed companies the opportunity to voluntarily produce a sustainability report (opting in) in recognition of the growing importance of sustainability reporting. By opting in, the issuers commit to produce their reports in accordance with a sustainability reporting framework recognized by SIX Exchange Regulation AG.

The following sustainability reporting frameworks are recognized:

- Global Reporting Initiative (GRI)
- Sustainability Accounting Standards Board (SASB)
- UN Global Compact
- European Public Real Estate Association Best Practices Recommendations on Sustainability Reporting (EPRA Sustainability BPR)

Sustainability reporting is governed by Art. 9 of the Directive Corporate Governance (DCG) see:

→ [ser-ag.com/dam/downloads/regulation/listing/directives/DCG-en.pdf](https://ser-ag.com/dam/downloads/regulation/listing/directives/DCG-en.pdf)

Further information can be found on:

→ [ser-ag.com/en/topics/corporate-reporting.html](https://ser-ag.com/en/topics/corporate-reporting.html)

The current list of issuers having opted in is available on the website of SIX:

→ [six-group.com/en/products-services/the-swiss-stock-exchange/market-data/shares/sustainability-reporting.html](https://six-group.com/en/products-services/the-swiss-stock-exchange/market-data/shares/sustainability-reporting.html)

The rules on sustainability reporting and opting-in will be revised in 2022 and harmonized in line with the new Swiss legislation.

## 8.5 Regular Reporting

These reporting obligations are intended to guarantee that the stock exchange and the market participants are provided with technical and administrative information about the listed securities promptly and in suitable form. This includes information for example on:

- Changes of name
- Capital structure
- Dividends
- Annual general meeting
- Updating of various weblinks

CONNEXOR Reporting plays a central role in the regular reporting obligations. CONNEXOR Reporting is the official electronic reporting platform for transmitting company events. As the official reporting tool for reporting obligations of SIX Exchange Regulation AG, it allows issuers to fulfill their reporting obligations under stock exchange law simply, reliably and promptly in a single step. By using CONNEXOR Reporting, issuers can ensure maximum data quality for their company's events thanks to validation rules that carry out a formal review of the entries in the interface with CONNEXOR Reporting. Predefined input screens with a wide range of different event types are available for recording company events.

### **Useful tips for CONNEXOR Reporting**

- It is recommended to register several people so that the reports can be transmitted to SIX Exchange Regulation AG on time even during absences due to vacation or illness.
- Deadline management must be always in compliance with Appendix 1 of the Directive Regular Reporting Obligations.
- Please note that some reports are transmitted not only to SIX Exchange Regulation AG but also to third parties (principal paying agent, market participants, SIS, etc.) => Do not breach ad hoc publicity rules.

**Further Information**

For the Directive on Regular Reporting Obligations for Issuers of Equity Securities (Shares), Bonds, Conversion Rights, Derivatives and Collective Investment Schemes, see

→ [ser-ag.com/dam/downloads/regulation/listing/directives/drro-en.pdf](https://ser-ag.com/dam/downloads/regulation/listing/directives/drro-en.pdf)

The electronic reporting platform “CONNEXOR Reporting” has been set up for the efficient and simple fulfillment of reporting obligations (use is mandatory), see → [ibc.six-swiss-exchange.com/usafelogin/Login?Location=https%3A%2F%2Fibc%2Esix%2Dswiss%2Dexchange-%2Ecom%2Fibc%2F](https://ibc.six-swiss-exchange.com/usafelogin/Login?Location=https%3A%2F%2Fibc%2Esix%2Dswiss%2Dexchange-%2Ecom%2Fibc%2F)

## 8.6 Ad hoc Publicity

### 8.6.1 Basics

The duty to provide information as part of the Ad hoc Publicity concerns price-sensitive facts that are not publicly known and that occur in the area of operations of a listed company.

Examples of facts of this kind relevant for the share price include:

- Financial figures
- Changes in personell in the Board of Directors or management
- Mergers
- Takeovers
- Spin-offs
- Restructuring operations
- Changes in capital
- Takeover bids
- Changes in business operations (e.g. new sales partners, new and significant products, withdrawal or recall of a significant product, etc.)
- Information on trading results (e.g. significant changes in earnings such as profit decrease/increase or profit warning, cessation of dividends, etc.)
- Significant changes to shareholder structure
- Financial restructuring

The following recipients must be informed as a minimum in the event of a duty to make an ad hoc announcement – this happens in the form of a media release flagged with the preface “ad hoc announcement pursuant to Art. 53 LR”:

- SIX Exchange Regulation AG (via Connexor Reporting)
- Two electronic information systems, such as Reuters or Bloomberg
- Two Swiss media (printed or electronic) of national importance and
- Any interested party upon request (push system)
- Publication of the media release on the website in an easy to find directory (pull system)

Since 1 October 2021, issuers of primary-listed equity securities must exclusively use the online platform CONNEXOR® Reporting for transmission of their ad hoc announcements to SIX Exchange Regulation AG – as with the regular reporting obligations. The other addressees must continue to be served as before.

Each issuer needs a clear regulation governing the responsibilities, including a deputy, for the Ad hoc Publicity. The personnel and IT infrastructure must be designed in such a way that a media release can be written, signed off on, and published within the shortest time frame at any time, which includes back-up plans in case of an IT malfunction for example.

#### **Further Information**

For the Directive Ad hoc Publicity, see → [ser-ag.com/dam/downloads/regulation/listing/directives/dah-en.pdf](https://ser-ag.com/dam/downloads/regulation/listing/directives/dah-en.pdf)

Guideline on the Directive on Ad hoc Publicity, see → [ser-ag.com/dam/downloads/publication/commentaries/2022-03-21-guideline-dah-en.pdf](https://ser-ag.com/dam/downloads/publication/commentaries/2022-03-21-guideline-dah-en.pdf)

Explanatory notes to the individual amendments and additions as per 1 July 2021 and 1 October 2021 can be found in the Issuers Committee Circular No. 1 – Revised provisions in the area of ad hoc publicity and corporate governance, see → [ser-ag.com/dam/downloads/regulation/listing/circulars/ic-cir1-en.pdf](https://ser-ag.com/dam/downloads/regulation/listing/circulars/ic-cir1-en.pdf)

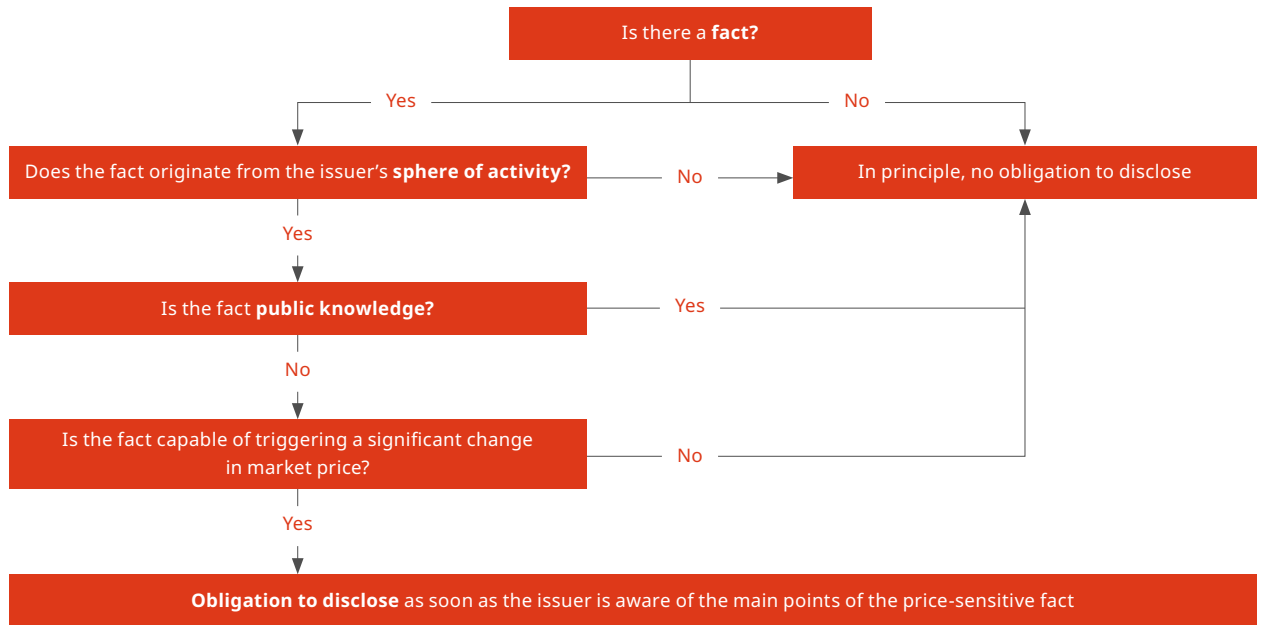
SIX Exchange Regulation AG has created a microsite with additional information and an FAQ concerning the revised provisions in the areas of ad hoc publicity and corporate governance, see:  
→ [ser-ag.com/en/projects/revision-ad-hoc-.html](https://ser-ag.com/en/projects/revision-ad-hoc-.html)

For reasons of security and confidentiality ad hoc announcements for the attention of SIX Exchange Regulation AG must be transmitted exclusively via the platform CONNEXOR® Reporting. For the Manual Onboarding and Connexor Reporting → [ser-ag.com/dam/images/Media/Onboarding\\_Connexor\\_Reporting\\_EN.pdf](https://ser-ag.com/dam/images/Media/Onboarding_Connexor_Reporting_EN.pdf) and → [ser-ag.com/dam/images/Media/Manual\\_Connexor\\_Reporting\\_EN.pdf](https://ser-ag.com/dam/images/Media/Manual_Connexor_Reporting_EN.pdf)

## 8.6.2 Rumors Versus Facts

When considering whether or not there is a disclosure requirement, the first question to be asked is whether a price-sensitive fact exists. The illustration below can be used to assess this.

### Rumors, Ideas, and Intentions Are Not Facts



Disclosure requirement as part of the Ad hoc Publicity

### 8.6.3 Profit Warning

Dealing with financial guidance and especially with material changes to the (expected) sales and profits is frequently a tough problem for issuers to solve.

SIX Exchange Regulation AG operates here on the basis of the following definitions and principles:

**Definition of profit warning:**

- Issuer raised certain expectations through its forecasts.
- Foreseeable result deviates notably from the earlier forecasts.
- Correction of the forecast: profit warning by means of an ad hoc announcement

**Definition of profit collapse or profit hike:**

- Issuer has not issued any forecasts.
- Foreseeable result deviates significantly from previous year's figure.
- As soon as financial figures respectively the deviation can be estimated: publication of an ad hoc announcement

The topic of profit warnings and profit collapses and hikes is moreover discussed in → [Chapter 3, Financial Guidance](#).





### 8.6.4 Postponement of Disclosure

During planned projects that may affect the share price, such as a far-reaching restructuring or an M&A project, the question of postponing the disclosure crops up repeatedly. It is possible to postpone the disclosure if all three of the following conditions are met:

- The fact is based on a plan or decision of the issuer (no postponement of disclosure for annual and semi-annual reports).
- Its dissemination is likely to have an adverse impact on the legitimate interests of the issuers.
- Comprehensive confidentiality is guaranteed (non-disclosure; prepare a draft ad hoc announcement; in the event of a leak, immediate publication following consultation with SIX Exchange Regulation AG).

## 8.6.5 Media Releases During Critical Trading Hours

### Process for disclosing price-sensitive information during trading hours

Price-sensitive information must be disclosed as soon as the company becomes aware of the essential elements of the matter at hand. If possible, the announcement must be published outside of critical trading hours: before 7:30 am or after the close of trading at 5:40 pm. If, in exceptional cases, the announcement is made during trading hours, SIX Exchange Regulation AG must be informed at least 90 minutes before publication so that they can temporarily cease trading the affected securities if the situation requires it.

#### 1. Telephone Contact Details for SIX Exchange Regulation AG Corporate Disclosure Team

- Available on +41 58 399 55 05 on trading days between 7:30 am and 5:40 pm
- Description of the issue
- Price-sensitive information: statement and explanation
- Suspension of trading: statement and explanation
- Publication time: 90 minutes after making contact

#### 2. E-mail for Authentication and Documentation

Immediately after contacting SIX Exchange Regulation AG, an e-mail must be sent to [adhoc@six-group.com](mailto:adhoc@six-group.com) including the following details:

- Issue: summary
- Price-sensitive information: statement and explanation
- Suspension of trading: statement and explanation
- Publication time: in principle, 90 minutes after making contact
- Enclosure: draft press release

#### 3. Preparing of the Press Release

- Finalization of press release
- Translation of press release (if required)
- Preparation and scheduling of dispatch and publication

#### 4. Sending the Press Release

- The press release must only be sent once  
SIX Exchange Regulation AG has approved the immediate publication of the press release via e-mail to the issuer and has notified the latter about any potential suspension of trading.

## 8.7 Disclosure of Management Transactions

Issuers have to disclose transactions in relevant financial instruments (equities; conversion, purchase or sale rights; etc.) by the members of their board of directors and management in accordance with the following process:

- The issuer is required to instruct, train and periodically remind the persons subject to reporting requirements in an adequate and sustainable way regarding the obligations to disclose management transactions.
- Members of the board of directors and of the management must report to the issuer all relevant transactions within two trading days from the creation of the reporting obligation (conclusion of the binding transaction or, in stock exchange trades, the execution of the transaction).
- The issuer has to submit the transaction (including the indication of the name and function of the person subject to the reporting obligation) within three subsequent trading days on the electronic reporting and publication platform of SIX Exchange Regulation AG.
- The report is published without the name, but with the specification of the relevant function, on the website of SIX Exchange Regulation AG.

### Further Information

For regulations, directives and commentary concerning the disclosure of management transactions, see

→ [ser-ag.com/en/topics/management-transactions.html](https://ser-ag.com/en/topics/management-transactions.html)

For entering management transactions via the electronic reporting and publication platform, see

→ [disclosure.six-exchange-regulation.com/obligations/management\\_transaction/ddeal/login\\_en.html](https://disclosure.six-exchange-regulation.com/obligations/management_transaction/ddeal/login_en.html)

Published management transactions on:

→ [ser-ag.com/en/resources/notifications-market-participants/management-transactions.html](https://ser-ag.com/en/resources/notifications-market-participants/management-transactions.html)

## 8.8 Disclosure of Shareholdings

Shareholders are required to disclose their shareholdings in listed companies. Persons who are authorized to exercise voting rights at their own discretion are also subject to reporting obligations.

- Shareholders as well as persons who are authorized to exercise voting rights at their own discretion must report to the issuer and to the Disclosure Office within four trading days if they reach, exceed or fall below the following voting rights thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 33 <sup>1</sup>/<sub>3</sub>%, 50% or 66 <sup>2</sup>/<sub>3</sub>%.
- The reporting obligation arises with the creation of the right to acquire or sell equity securities (binding transaction), irrespective of whether this claim is conditional or not.
- The issuer publishes the disclosure notification within two trading days of reaching the threshold using the electronic publication platform operated by the Disclosure Office.

### Further Information

For the legal basis, see

→ [fedlex.admin.ch/eli/cc/2015/853/en](https://fedlex.admin.ch/eli/cc/2015/853/en)

→ [fedlex.admin.ch/eli/cc/2015/855/en](https://fedlex.admin.ch/eli/cc/2015/855/en)

→ [ser-ag.com/en/topics/disclosure-of-shareholdings.html](https://ser-ag.com/en/topics/disclosure-of-shareholdings.html)

For entering shareholdings via the electronic reporting platform, see

→ [disclosure.six-exchange-regulation.com/obligations/management\\_transaction/ddeal/login\\_en.html](https://disclosure.six-exchange-regulation.com/obligations/management_transaction/ddeal/login_en.html)

Published equity interests on:

→ [ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html](https://ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html)

## 8.9 Exploitation of Insider Information and Market Manipulation

Compliant trading is a key factor in safeguarding the reputation of the Swiss Stock Exchange and the image as a financial centre. Surveillance & Enforcement surveils the Swiss Stock Exchange to ensure that any insider trading, price and market manipulation and other irregular activities and regulatory breaches are detected.

As insider information qualifies confidential information that would have a significant impact on the price of a security if the information were disclosed. Critical issues for companies include takeover situations and communication with significant shareholders (if closely related to the company). Caution is also called for situations when block trades, trading with own shares or share buybacks are involved. The laws are relatively broad, and in individual cases circumstantial evidence may be sufficient for a conviction.

The Surveillance & Enforcement department of SIX Exchange Regulation AG monitors price formation and trading on the exchanges of SIX so that insider trading, price and market manipulation and other violations of statutory and regulatory provisions can be detected. In the event of suspected violations of the law or other irregularities further investigations will be conducted. If regulations are breached, SIX Exchange Regulation AG initiates sanctions proceedings.

If violations of the laws are suspected, the findings of the investigation are reported to FINMA. FINMA's responsibility in the area of insider trading and market manipulation is not limited to individuals and legal entities subject to FINMA regulation and prudential supervision. This means that FINMA can in principle take action and order measures against any person in violation of the laws.

FINMA investigates behavior relevant from a supervisory law perspective and provides information relevant under a criminal law perspective to the law enforcement authorities, e.g. the Office of the Attorney General. The Office of the Attorney General has effective tools to act, and if the evidence provided is sufficient, it can, for example, obtain search warrants and have access to mobile telephones and computers. The sanction measures range from a professional ban to fines to imprisonment of up to five years depending on who is imposing them. FINMA can also issue declaratory rulings, confiscate or order the disgorgement of illegally generated profits and publish final rulings.

The issuers are responsible for defining proprietary rules and procedures regarding insider information. Insider lists must be drawn up for potentially delicate issues, and a confidentiality agreement must be signed with every person involved. Companies are responsible for ensuring that the necessary control mechanisms have been installed and that criminal behavior is detected. The best protection for the company is a good governance of inside information.

Issuers have the possibility to notify Surveillance and Enforcement of SIX Exchange Regulation AG about trading conspicuities in its securities (→ [ser-ag.com/en/contacts/contact-enc.html](https://ser-ag.com/en/contacts/contact-enc.html)).

#### **Further Information**

Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FinMIA), in particular Art. 142 et seq. and Art. 154.

→ [fedlex.admin.ch/eli/cc/2015/853/en](https://fedlex.admin.ch/eli/cc/2015/853/en)

FINMA Circular 2013/8 "Market conduct rules"

→ [finma.ch/en/~media/finma/dokumente/dokumentencenter/myfinma/rundschreiben/finma-rs-2013-08-01012021\\_de.pdf?la=de](https://finma.ch/en/~media/finma/dokumente/dokumentencenter/myfinma/rundschreiben/finma-rs-2013-08-01012021_de.pdf?la=de)

## 8.10 Stock Market Equivalence

The Federal Council introduced a recognition obligation for foreign trading venues. The ordinance entered into force on 1 July 2019. The aim is to protect the Swiss financial center and its stock exchanges and to ensure that European market participants continue to have access to the most liquid and deepest order book of the securities listed on SIX and the efficient trading of these securities.

Since 2019, the European Commission (EC) no longer grants Switzerland equivalence as a recognized third-country trading venue. In return, the Federal Council implemented an ordinance aiming at protecting and safeguarding the functioning of the Swiss Stock Exchange infrastructures.

On the basis of this ordinance, on 1 January 2019, a recognition obligation was introduced for foreign trading venues that trade equity securities (e.g. shares) issued by companies with registered offices in Switzerland where such equity securities are listed on a Swiss stock exchange or are traded at a Swiss trading venue ("Swiss shares"). According to the Federal Council's ordinance, shares of companies that have a primary listing on SIX but do not have their registered office in Switzerland are exempt from this measure.

The intended consequence of the ordinance is that EU securities firms should continue to have access to the Swiss market and that they can continue to trade Swiss equities in their home market.

As a result of Brexit, at the beginning of 2021 the United Kingdom and, in turn, FINMA recognised the respective trading venues and the restrictions on both sides were lifted.

Further information on this topic is available at the microsite of SIX:  
→ [six-group.com/en/products-services/the-swiss-stock-exchange/site/exchange-equivalence.html](https://six-group.com/en/products-services/the-swiss-stock-exchange/site/exchange-equivalence.html)

## 8.11 New Corporate Law

The new Company Law, which has been gradually introduced since 2021, is a mix between smaller and larger amendments. For Investor Relations, it is relevant inasmuch as the new law strengthens the shareholders' rights and protects minorities. Aside from voting rights, minority shareholders previously only had the right to ask critical questions once a year at the AGM. Now, boards of directors must provide shareholders who represent at least 10 percent of capital or votes with information within four months between GMs. In addition, the threshold for having the right to submit motions at GMs has been lowered: Instead of the previous 10 percent, only 0.5 percent is needed for listed companies.

Furthermore, digitalization is also affecting corporate law, inasmuch as the previous requirements on how to hold and attend an AGM are being relaxed.

Here is an overview of some new changes:

### **General Meetings across Multiple Locations or Held Virtually**

- A general meeting can take place at several venues at the same time. Various locations around the world can be defined, and the events at the locations can be broadcast live to the other locations. In the event of a vote, all shareholders vote simultaneously.
- Shareholders can also participate in general meetings remotely, connecting electronically to communicate and vote via video.
- If a company's articles of association allow, a general meeting may even be held entirely virtually in the same way as video conferences.
- General meetings can be held in writing.
- Companies wishing to make use of this new option must put in place the necessary technical infrastructure promptly and define the legally correct processes.
- Thanks to electronic voting, shareholders will be able to participate in a GM without being present in person and therefore will no longer have to give voting instructions to a proxy advisor.

**Introduction of a Gender Quota**

- Boards of directors must comprise at least 30 percent of both genders; for executive boards, this figure is 20 percent. The transition period for boards of directors is five years (i.e. until 2027) and for executive boards, 10 years (2032).
- If the quotas are not met, the companies must disclose in their annual report the reason and the measures they are taking to improve the situation.
- Harsh sanctions are not planned. Legislators are relying on public pressure to influence those companies who do not fulfil the quotas.

**Stricter Rules for Independent Proxies**

- Proxies must treat the shareholder instructions confidentiality until the AGM.
- They may give the executive board or board of directors general information regarding voting trends on individual agenda items but no earlier than three working days before the meeting.
- At the meeting, they must report on the information disclosed to the company, thus ensuring transparency.
- The provisions regarding the independence of proxy advisors have been tightened. This means that they must now be as independent as an external auditor.

## 8.12 Tips

1.

Each issuer needs a clear regulation governing the responsibilities, including substitute representation, for Ad hoc Publicity. The personnel and IT infrastructure must be designed in such a way that an ad hoc announcement can be written, signed off, and published within one hour at any time, which includes back-up plans in case of an IT malfunction for example.

4.

With regard to CONNEXOR Reporting, it is recommended to register several people so that the reports can be transmitted to SIX Exchange Regulation AG on schedule even during absences due to vacation or illness.

**2.**

A profit warning has to be published as soon as a member of the management or a non-executive director has a rough idea of the foreseeable business performance.

As far as the disclosure of shareholdings is concerned, both the amount of the shareholding and also the identity of the significant shareholders can be relevant for investors. The change in the shareholding can thus be price-sensitive and is therefore subject both to the Ad hoc Publicity requirement and the requirement for the issuer to disclose the shareholding. The publication by third parties of price-sensitive information in connection with an issuer does not release the issuer from its obligation to publish an ad hoc announcement on the same information.

**3.**

9.0

# IR Organization



## In a Nutshell

Various people and functions are engaged in IR tasks within a company, starting with the chair of the board of directors and the CEO and including the chief financial officer, the IRO, the head of communications and, if need be, external consultants.

The IRO plays the central role, frequently at smaller companies as a sub-task together with another function, such as the CFO, secretary general or head of communications. At large companies, in contrast, IROs manage their own teams.

Communication with investors and analysts calls for very specific knowledge and skills, some of which are very different from those of a good head of communications, for example.

The majority of companies employ their own resources to perform the most important IR activity, the direct interaction with the institutional investors and analysts. Nevertheless, there are good reasons for involving external support.

## 9.1 Organizational Chart and Classification

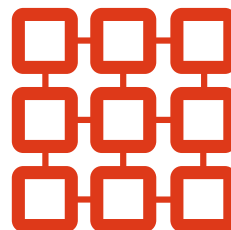
Depending on the size of the company and the strategic importance of Investor Relations, the organization of IR tasks varies greatly across individual companies.

The assignment of the tasks to the following functions can be observed in practice – by frequency:

- CFO
- CEO
- Chief Communication Officer

**In Terms of Organization, the Following Options Are Popular:**

- Independent staff department, popular primarily at small and mid caps: direct link to the CEO, CFO or Chief Communication Officer
- Central office, i.e. as above but here part of a larger corporate services team
- Line function, generally assigned to the finance department



## 9.2 IR Officer Job Profile

Communication with investors and analysts calls for very specific knowledge and skills, some of which are very different from those of a good head of communication, for example.

An Investor Relations officer has a complex profile. They must be well versed in the following activities:

- Communication strategist (development of the capital market story, positioning of the company on the capital market)
- Speaker and "marketer" (presentation events, one-on-one meetings) of the company on the capital market
- Analyst (peer group analyses, investor targeting, perception study, interpretation and discussion of analyst reports)
- Advisor to the management and sometimes also to the board of directors in capital market questions
- Writer (preparing annual and interim reports, ad hoc reports, speeches, etc.)
- Presentation organizer (IR presentations)
- Online manager (design and content management of the IR web pages on the Internet, monitoring of online portals, social media)
- Event manager (roadshows, conferences, annual general meeting)
- Constant "translator" and "networker" in the company as well as between the company and target groups

What makes a good IR officer can be derived from the combination of these skills:

- Good knowledge of the company and its markets: thanks as far as possible to their own experience as well as direct access to good sources of information inside and outside the company
- Good knowledge of finance and accounting, of financial analysis and how the capital markets work
- Well versed in interpersonal as well as written communication
- Talent for organization
- In Switzerland: multilingual skills or good command of English

A job description for an IR officer of a medium-sized company will generally include the following points:

- Regular communication with investors and analysts
- Market monitoring: Market performance in relation to the financial environment, questions of reputation, and general trends, reporting to the management
- Benchmarking against peer groups
- Ensuring compliance with all statutory regulations and stock exchange directives
- Management of the IR presentation
- Management of the IR website
- Management of the media releases for financial results
- Updating of the list of contacts for analysts/investors (for meetings) and the distribution list (for distributing press releases)
- Organization of investor roadshows and presentations
- Development or acquisition of new investor groups
- Cooperation with SIX Swiss Exchange and other regulatory authorities
- Measuring and checking success

#### **Specific Projects**

- Development and implementation of an IR/communication strategy for issues related to the capital market or finance in close cooperation with the communications team
- Organization of annual/semi-annual results
- Media/analyst/investor conferences (or conference calls/web casts)
- Drafting and management of annual report/interim reports as well as any special reports (for example on the topic of sustainability) in cooperation with the communications team
- Organization of investor days

Korn Ferry publishes a biennial study on job profiles and salaries of IROs in the US, see

→ [niri.org/NIRI/media/NIRI-Resources/001194\\_NIRI\\_Compensation\\_Survey.pdf](https://niri.org/NIRI/media/NIRI-Resources/001194_NIRI_Compensation_Survey.pdf)

## 9.3 External Support

The majority of companies employ their own resources to perform the most important IR activity, the direct interaction with the institutional investors and analysts.

Nevertheless, there are good reasons for involving external support:

- For smaller companies that do not have or want to hire a permanent employee for IR, as an “extended workbench”, for example for the management of media releases, annual and interim reports, or the IR website
- For the procurement of expertise in specific projects, for smaller and also for larger companies, for example in capital market transactions (M&As, spin-offs/listing), in crisis situations, for perception studies, or – increasingly important on account of MiFID – the organization of roadshows
- For a regular or occasional check from an outside perspective
- For foreign companies listed on SIX as a kind of steward in Switzerland, also for regulatory concerns

### Successful IR Consultancy Requires:

- Independence and objectivity
- Long-term approach (when not related to a specific project, e.g. M&A)
- Good networking on the financial and capital market and in the industry in question
- Competence in the professional field
- Competence in the human field

What distinguishes good from not so good IR consultants is that IR objectives are defined and tied down before various IR measures are planned and implemented. And additionally, as with any management consultant, a high degree of efficiency in the cooperation.

In addition to IR consultants, companies resort to the services of external specialists for all kinds of factual questions – here’s a non-exhaustive list:

- Attorneys, especially in capital market transactions or sensitive cases of Ad hoc Publicity or financial reporting
- Specialized consultancy firms in order to thoroughly investigate the shareholder structure, shareholder identification in the technical jargon (see → **Chapter 4.4**)
- Specialist service providers for managing the share register

## 9.4 Tips

1.

There is no universally valid or correct design of the IR function. Companies are free to find the solution that is right for them.

4.

Here's a piece of management wisdom taken from Toyota that is also apt for the IR function: "Be strict with the process but soft with the employees."

If a company is considering a major change or to change their IR function, it is advisable to get support from outside experts for possible partners, industry experts, investors, and other similar companies.

**2.**

IR is a synonym for communication with the capital market and in this respect a production factor to help a company secure and procure the resource that is capital as cost-effectively as possible. This premise helps in the budgeting process.

**3.**

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10.0

# IR & Sustainability



# ★ 10.1 Why Is Sustainability Relevant for Investor Relations?

## What Is Sustainability?

In today’s markets, sustainability is often referred to by the term ESG, which is short for Environmental, Social and Governance and is widely used to mean any performance criteria other than standard financial and operational metrics. ESG evolved from Corporate Social Responsibility (CSR) values as a way for investors and the companies themselves to measure the outcomes of corporate sustainability efforts. The term ESG has become increasingly challenged, however, as it suggests that each of the three criteria (E, S, and G) can be considered individually and also separately from a company’s general organization and activities. ESG also ignores G’s particular role as an overarching factor determining how E and S should be embedded in a company’s business activities, strategy, corporate culture and, at the most basic level, in its day-to-day operations. This view is widely shared among market participants, as Figure 1 shows.



## How Important Is Governance for E&S Policies? SWIPRA Survey 2021

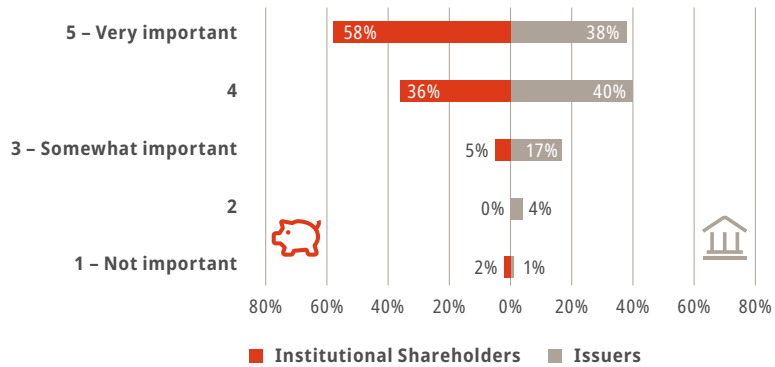


Figure 1: The majority of institutional investors, including the largest equity investor in Switzerland, and listed SPI® companies consider G to be a very important factor for credible E&S strategies (Source: SWIPRA Survey 2021)

So, rather than getting lost in details and confusion by focusing too much on specific frameworks, companies should keep their eye on the main idea at the core of it all, and that is sustainability, or simply put, the aim to generate long-term value for the company and society at large.

**Focus/Spotlight**

The concept of sustainability in strategy and management is not new. Some of the wording in today’s GRI reporting echoes annual reports from 20 years ago, and some concepts date back even longer, all the way to the beginnings of economics as a social science. What has changed, though, is the level of awareness and sense of urgency about sustainability issues among politicians and the general public, spurred by climate events such as heavy rainfall, droughts and fast melting glaciers, and by global societal inequalities driving migration and human rights issues.

For individual businesses, sustainability factors such as climate change may not be felt as a direct hit to their bottom line, but the risks and opportunities these come with will have a significant impact on their strategic success and reputation.

As society’s expectations of businesses increase, companies have become exposed not only to a broader group of stakeholders, but these stakeholders also increasingly engage directly and indirectly with companies, demanding more sustainable business development and good corporate citizenship (see Figure 2 for an overview of some of the most important stakeholders embracing sustainability).



Figure 2: How a company deals with sustainability matters impacts how it is perceived in the market and across a broad set of stakeholders that have become more active in interacting with the company as a consequence of the increased attention on sustainability matters.

Besides investors, a company's employees, customers and suppliers also have expectations regarding the sustainability credentials of their business counterparts, not least to ensure they do not run any reputational risk by doing business with the "wrong" partners. The company's supply chain may present substantial reputational risks and issues of its own, such as child labor and political exposure.

Some of these stakeholders, such as NGOs, may have extensive leverage, wielding their influence through social media, activism, and capital providers. The potential negative or positive impacts felt across the value chain are manifold and often hit companies from different, and sometimes rather unexpected, angles.

### **New Challenges for Investor Relations**

Even as stakeholders grow more active and demanding overall, the key focus of Investor Relations (IR) should remain on the company's stakeholders in the capital markets, such as equity and bond investors, and analysts from banks, rating agencies and proxy advisory firms. IR should be aware, though, that sustainability will continue to impact their interactions with stakeholders in two ways:

### **Sustainability Dialogue**

IR has a key role to play in the sustainability and governance discussion. It has become part of the job to ensure investors understand the relevance of a company's sustainability strategy to (i) the company itself, (ii) its stakeholders, and (iii) how it – in particular, its board and management – executes on the strategy to ensure a long-term, sustainable business. These expectations substantially extend the role of IR from its traditional focus on results communication, reporting and guidance. More and more, governance and sustainability topics affecting the company's future will be front and center for IR and its interactions with the financial community. Across the largest institutional investors, these topics will increasingly be addressed via two or more separate, dedicated channels.

First, there is the long-established dialogue between the company's executives and financial analysts and portfolio managers upon results publication. This interaction reviews past developments, confirms guidance and is of a rather short-term nature.

Second, there is an evolving separate stewardship dialogue, taking place between members of the board of directors (mainly its chair and sometimes also board committee chairs) and investors' stewardship teams. This dialogue covers a company's business and sustainability strategy and its corporate governance framework. The interaction is mostly process-related and forward-looking, and rather medium to long-term in nature. Investors' stewardship teams are responsible for AGM voting decisions and mainly base their decisions on companies' governance, compensation and sustainability reports, various financial and sustainability rating information, and proxy advice.

To meet the expectations of both dialogues, IR will do well to extend its scope of activities and set up a stakeholder management strategy, integrated into the overall strategic communication, to ensure consistent messaging across the dialogues and to accommodate the different objectives appropriately. To lead the second dialogue, IR must be aware of the company's key governance and sustainability dimensions and their impact on the company's goals and actions.

**Stakeholder Impact on Investors**

The activist stakeholder community increasingly extends its initiatives into the financial services industry. The same stakeholders who are calling for additional sustainability disclosure and commitments to net-zero carbon pledges and minimum social values from companies are demanding that the financial services industry live up to the same standards. Regulators, for example, are requiring investors to become much more transparent in their sustainability initiatives, a standard they can only meet if they receive the necessary information from companies. Similarly, NGOs apply many of the same reputational channels they use with companies when they approach institutional investors.

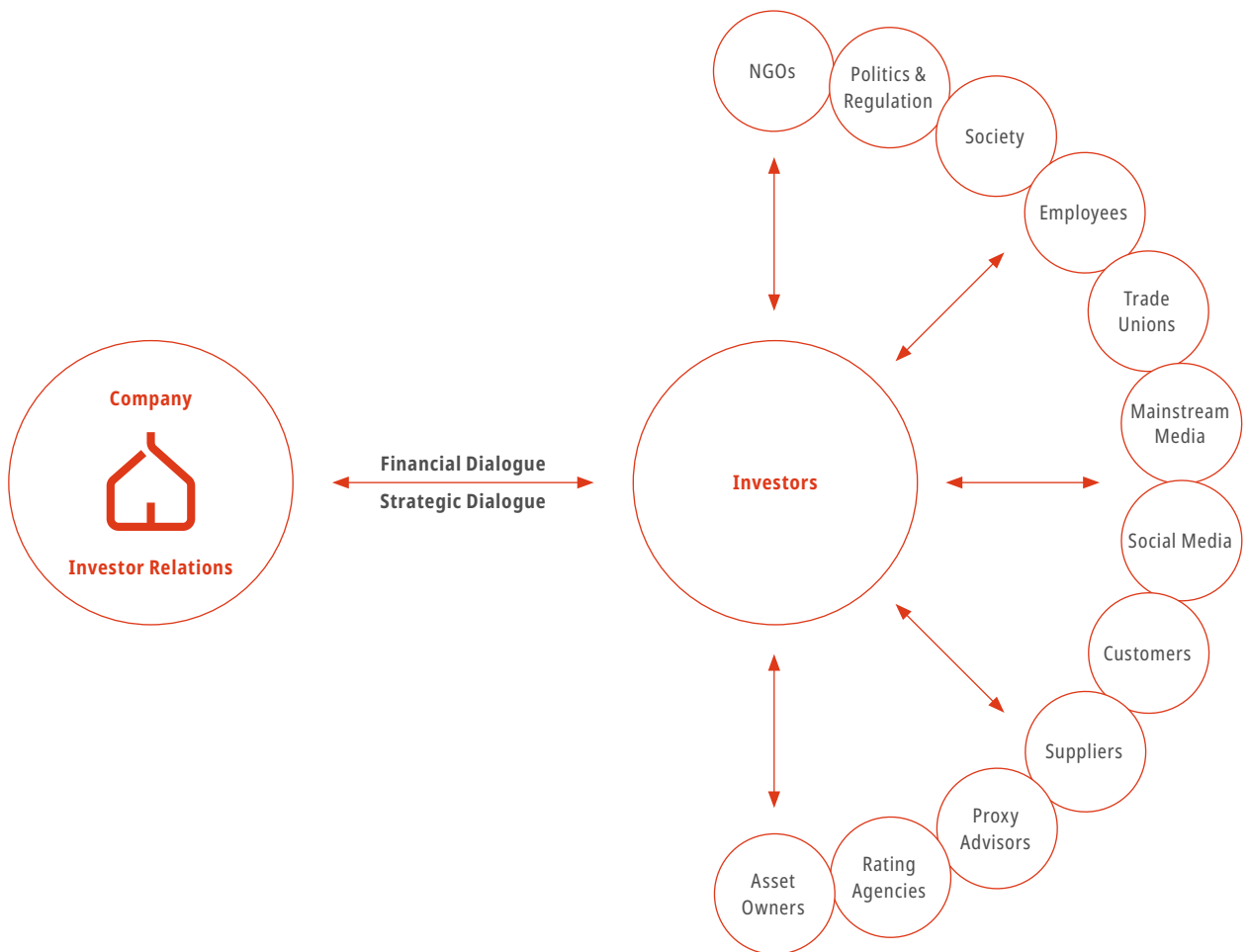


Figure 3: Stakeholders' sustainability expectations are increasingly raised also indirectly through a company's key stakeholders, its investors. These governance and sustainability topics have made it necessary to extend the existing financial dialogue to include a strategic discussion.

Due to its key role for companies, the financial services industry has become a means for other stakeholders to indirectly reinforce expectations on specific sustainability topics (see Figure 3).

Consequently, to better understand, accommodate or even pre-empt requests from the financial services industry, in particular with respect to sustainability, IR should look beyond institutional investors and also seek to understand how the company’s key capital providers and analysts, in turn, are influenced by their stakeholders. Operationally, this means being able to cope with new stakeholders, new requirements from various sides, new ESG data, and a whole new industry of service providers and rating agencies.

**Role of IR in Sustainability Management**

IR has an important role to play in the sustainability and governance discussion. The role has come to include ensuring that investors understand the impact of a company’s sustainability strategy on the company itself and its stakeholders, and on how the company – in particular, its board and management – executes on its strategy to generate a long-term, sustainable business. This is part of a joint effort between IR and the corporate communications and public relations teams (see Figure 4).



Figure 4: Sustainability has added an additional layer of information that a company has to communicate. IR should take on an important role in this communication process by ensuring consistency of messaging across stakeholders and across channels.

Due to a significantly broader scope compared to the financial dimension and the broad impact across the entire company, sustainability poses additional challenges:

- 1) The messaging on sustainability needs to be consistent across all channels, relying on the same data and the same targets and definitions. This includes a close alignment of the financial and sustainability narratives.
- 2) Stakeholders have different priorities in sustainability matters and often look for different specific pieces of information. Prioritizing and providing the right information to each key stakeholder, while ensuring consistency with the overall communication (see 1), is the second challenge to overcome.

In its original role, IR already has broad exposure to various sustainability priorities, making it well-suited to now also take on a leading role in shaping, organizing and ensuring consistency in the combined financial and sustainability dialogue. In transforming from an investor relations into a stakeholder relations unit, IR needs to understand which sustainability topics are relevant for which stakeholders, how different stakeholders influence each other, and how stakeholders can impact the company's reputation to support its business and value generation.

Being at the center of financial and sustainability communication, IR should also ensure that the board of directors and management are aware of key investor and other stakeholder expectations. This is important for reputational reasons and communication with capital providers. A critical component is the launch of a dedicated and ongoing sustainability dialogue.

### **Concluding Remarks**

Sustainability is a key component not only of a company's strategic success but also of its internal and external communications. Established backward-looking, short-term oriented capital markets communication must be complemented with a forward-looking, long-term strategic discussion to make the company's sustainability efforts more measurable and decision makers more accountable. This extended conversation on the company's sustainability efforts and progress made over time addresses a much broader group of company stakeholders, not just investors. As the gatekeeper of the dialogue with investors – one of the company's most important stakeholder groups – IR is expected to take on a key role in facilitating this exchange. The role includes raising awareness externally about the company's sustainability efforts and internally about stakeholder expectations, augmenting existing shareholder interaction with a strategic dialogue at board level, and ensuring consistency of messaging across all stakeholder groups and communication outlets.

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## 10.2 Double Materiality Analysis and KPIs

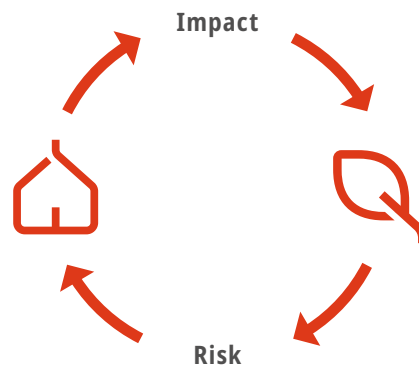
### Definition of Materiality Analysis and the Concept of Double Materiality

The **double materiality** principle assesses the material outward impact of a company on the economy, environment, and people, including human rights; as well as the sustainability components that are financially material to the company and its stakeholders.

The double materiality principle was introduced by the European Union in its Non-Financial Reporting Directive (NFRD). For more details, see Chapter 10.5.

Chapter 10.4 explains that to comply with regulatory requirements in Switzerland, a company's disclosures must fulfill the double materiality principle with effect from the 2023 reporting period.

### Impact and Risk in the Concept of Double Materiality



Material topics from both perspectives are defined by each company individually by conducting a materiality and risk analysis.

### Process of a Double Materiality Analysis

To start and guide the process of gathering relevant information and defining material topics for the sustainability report, the company needs to appoint a dedicated team. This process can be led or managed internally or, at least in part, delegated to a consultancy. For an efficient and effective process, it is critical for the board and executive management to acknowledge and communicate the strategic importance of this process to fulfill the company's non-financial reporting requirements.

### Process of Materiality Analysis



#### Process Description

The process to produce a material topics matrix or list for the company consists of six steps. These involve the sustainability reporting team as well as internal stakeholders and external stakeholders:

##### 1. Context

The process starts with a context analysis. This includes knowing and understanding the relevant regulatory requirements for the sustainability reporting, understanding the sustainability topics in the relevant markets, and describing the business model, supply chain and stakeholders. These components define what kind of impact the company has, and which stakeholders are or could be affected and thus need to be involved in the process.

##### 2. Impact and Risk

As a next step, a long list of impacts on and exogenous risks to the company, needs to be worked out. If grouped in clusters, the list will consist of material topics. It is usually compiled from workshops or surveys involving a group of people from various business units and, often, external stakeholders too. The list will also feature topics that are regularly discussed in reports and documents by the company and its industry peers.

##### 3. Stakeholders

It is important to engage with the stakeholders defined in the context analysis (see step 1) to ensure that any significant impact on the economy, environment and society and risks are being taken into full consideration – including the outside-in view of external stakeholders. This can take the form of an online survey for stakeholders, or stakeholder focus group discussions, for example. A given topic may become material for the simple reason that a significant share of external stakeholders classifies it as such. Thus, engaging with stakeholders gives the materiality analysis an additional dimension and completes the double materiality matrix or list. The result should be a short list of material topics, including risks ranked according to their importance for the stakeholders and the company.

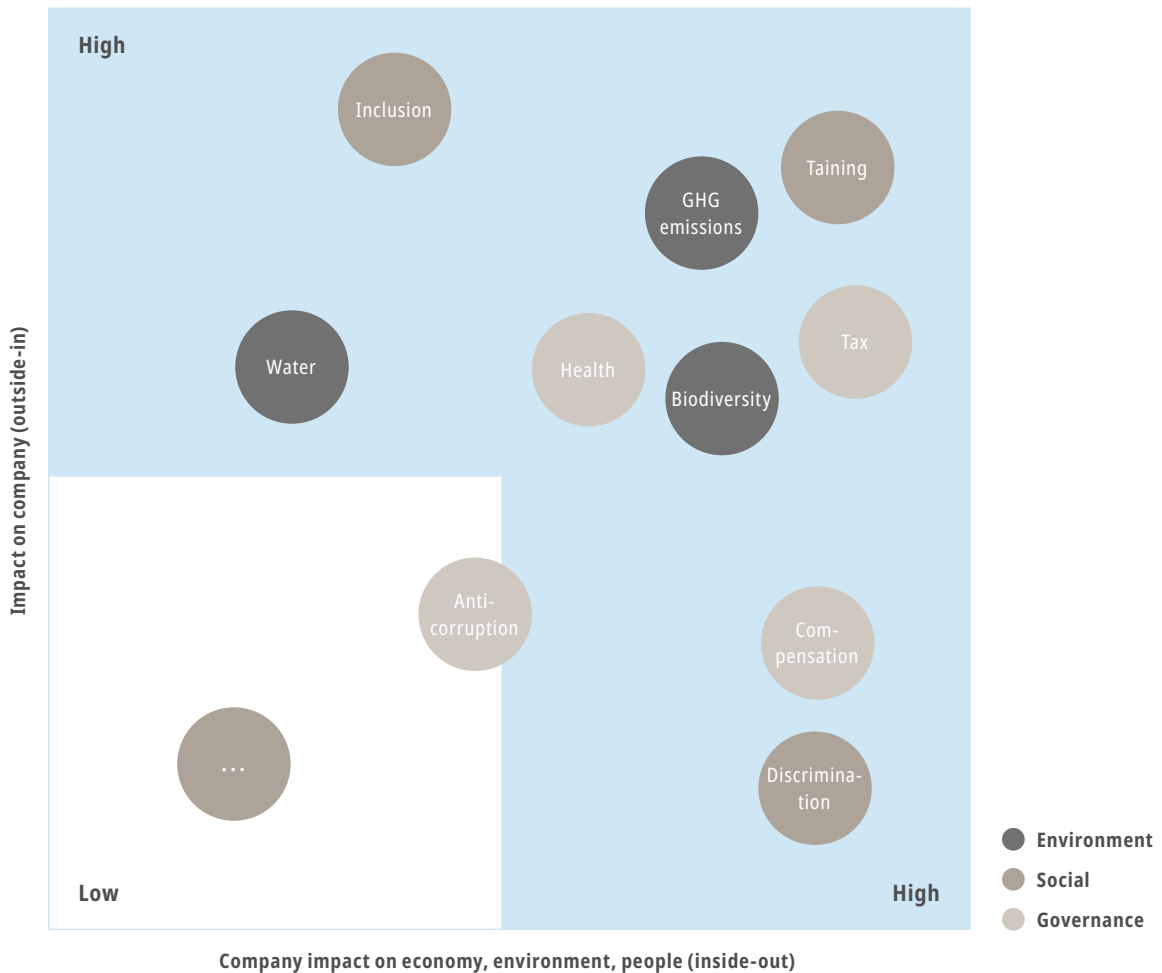
**4. Validation**

Once the short list of material topics is assessed, the sustainability team and other specialists in the company, including the board and executive management, will validate it and include their ranking of material topics in the matrix. The outcome of the validation is a double materiality matrix or material topic list (see example below) that is the basis for the sustainability reporting.

**5. Reporting**

To help stakeholders like investors, rating agencies, financial analysts, employees, and suppliers understand the process of non-financial reporting and to ensure credibility, the company must describe how the list of material topics was drawn up and how stakeholders were engaged in the process. Additionally, this includes disclosing a double materiality matrix or material topics list that discusses not only the topics but also their ranking and importance for the company and stakeholders and therefore gives a holistic view of the entire process. The process description is itself a reporting requirement.

**Example of a Materiality Matrix:**



**Example of a Materiality List (Extract of the Impact on People):**

Material Topics	Subtopics
People	
Client experience	<ul style="list-style-type: none"> <li>- Excellence</li> <li>- Above-average performance</li> <li>- Best services</li> </ul>
Diversity, equity, inclusion	<ul style="list-style-type: none"> <li>- Diverse workforce</li> <li>- Fair and inclusive workplace</li> <li>- Equal employment conditions and opportunities</li> </ul>
Digital transformation	<ul style="list-style-type: none"> <li>- Cyber risks</li> <li>- Front-to-back digitalization to deliver a seamless client experience</li> <li>- Technology as differentiator</li> <li>- Digital culture and workspaces</li> <li>- Integrated digital product and service offering</li> <li>- Data management</li> </ul>
Talent management	<ul style="list-style-type: none"> <li>- Employer branding and talent attraction</li> <li>- Employee training</li> <li>- Internal mobility</li> <li>- Management of talent pipeline and succession planning</li> <li>- Talent and leadership development</li> </ul>
Workplace culture and environment	<ul style="list-style-type: none"> <li>- Purpose and cultural framework</li> <li>- Hybrid and flexible work arrangements</li> <li>- Occupational health and well-being</li> <li>- Employee listening and engagement</li> <li>- Volunteering</li> </ul>
Compensation and performance management	<ul style="list-style-type: none"> <li>- Compensation framework</li> <li>- Executive pay</li> <li>- ESG in performance management and compensation</li> <li>- Pay equity</li> </ul>

**6. Review**

Reviewing the material topics on a regular basis ensures accuracy over time. Especially as regulatory requirements and reporting standards change or become relevant to the company, it is important to revalidate the material topics on a yearly basis. A full materiality assessment from step 1 is run every three to four years or within the regular strategy cycle of the company.

**Methods of Stakeholder Engagement**

Depending on the nature of its business and markets, there will be many different ways for the company to engage with its stakeholders. One may be running regular online or offline surveys with staff, suppliers and clients, for example. Another may involve meetings and onsite visits with supply chain partners. Or the company may sit down regularly with local authorities and non-governmental organizations (NGOs), interview key stakeholders or focus groups such as major shareholders or an employee association, or it may take some other approach.

**Recommendations**

- Planning: For a successful process, you will do well to kick off your materiality assessment early in the year, ideally six to nine months before the end of the financial year.
- Strategic relevance: Make the process of sustainability reporting one of strategic relevance, ensure board and executive management support. At least one member each of the board and the executive management team should be on the steering committee.
- People: Assign the tasks to a focused and engaged group of people reporting to the top level.
- Laws and requirements: Before you start, know the applicable laws and requirements. They are a moving target and need to be monitored on a regular basis.
- Interconnection: Be aware that non-financial and financial reporting interconnect. Negative impacts and risks have the potential to be relevant to sustainability reporting as well as risk reporting in the financial report.

**Connecting KPIs and Material Topics**

Appropriate and accurate key performance indicators (KPIs) measure the company's material topics over time. Requirements for these KPIs vary from company to company as material topics do. It is best to apply a framework like SMART to define KPIs that will be meaningful and will work over the years. KPIs are SMART if they are specific, measurable, attainable, relevant and time-based. After KPIs are put in place and data gathering can start, these KPIs are combined with goals and measures for comparison reasons over time and for documenting measures taken for improvement.

**Example of a KPI scorecard framework for the material topic of personnel safety:**

	Material Topic	Strategic Goal	KPI	Target Value 20XY +3	Value 20XY	Measures	Data Source	Owner	Remarks
<b>Environment</b>									
<b>Social</b>	Personnel safety	Provide a safe work environment	Accident frequency rate	0	3	- Employee instructions - Machine improvements - Safety gear improvements	Reporting office HR	XYZ, HR	
			Rating by external control	ABC	XYZ	- Semi-annual external safety control	XYZ	XYZ, HR	
			Number of near misses/accidents	0	18	- Evaluation of events incl improvement proposals	Personnel safety feedback channel	XYZ, HR	
<b>Governance</b>									

Authors:  
 Martin Meier-Pfister, Partner, IRF Reputation  
 Yasemin Diethelm-Ersan, Senior Consultant, IRF Reputation

## 10.3 Swiss Law: Overview of Sustainability Requirements

Sustainability requirements are lightly regulated in Swiss law compared to other jurisdictions, in particular the EU. In recent years, however, the Swiss legislature enacted several ESG provisions to catch up with international developments, in particular with the requirements under EU legislation. Indeed, while say-on-pay rules came into effect almost ten years ago, non-financial reporting obligations and due diligence obligations regarding child labor and conflict minerals were not introduced until 2022.

**ESG** stands for **E**nvironmental, **S**ocial and **G**overnance. It is not a defined term under Swiss law and commonly refers to companies' sustainability reporting (i.e., non-financial reporting, in particular) and related due diligence obligations.

The main sustainability rules for Swiss listed companies are laid out in the Swiss Code of Obligations (SR 220; the **CO**). Certain obligations are further detailed in ordinances that accompany the CO.

This chapter gives a very brief high-level overview of the main sustainability duties for listed companies. It outlines say-on-pay rules, diversity requirements for board and executive management appointments, non-financial reporting, and due diligence obligations regarding child labor and conflict minerals. These duties are explained in generic and simplified terms and are not meant to be an exhaustive list.

### Say-on-Pay Rules

With the adoption of the constitutional amendment on say-on-pay rules in 2014, Swiss listed companies became subject to a number of additional duties (cf. articles 732 et seq. CO). As the name already suggests, these say-on-pay rules govern the approval of compensation paid to the members of the board of directors and executive management (and the advisory board, if applicable) of a Swiss listed company. Most Swiss listed companies have chosen a prospective compensation model, whereby board and executive management compensation (fixed and variable components) is approved in advance, in order to have legal certainty on the payments to the members of these bodies. The say-on-pay rules further require the publication of a remuneration report disclosing the payments to members of the board of directors and executive management, which has to be audited. In addition, the rules prohibit certain payments to board and executive management members, such as severance payments, mergers and acquisitions (M&A)-related remuneration, and advance payments to the extent these do not compensate for lost benefits.

Despite the name, the Swiss say-on-pay rules go beyond the mere regulation of payments: They require Swiss listed companies to elect the chairperson and each member of the board of directors every year and to appoint an independent proxy and members of a remuneration committee, also on a yearly basis. Swiss law requires listed companies, among other things, to include provisions on the maximum number of permitted external board mandates and the maximum term and termination period for employment agreements of the members of the board of directors and executive management. Furthermore, the principles of performance-based remuneration for the board of directors and executive management are not valid unless defined in the articles of association (company bylaws); the same rule applies to principles underlying the allocation of equity securities, including equity-linked and option rights relating to equity securities, to the board and executive management. A remuneration committee is mandatory for Swiss listed companies, unlike other committees, such as the audit or nomination committee.

The say-on-pay rules include provisions that criminalize certain conduct, such as any payment of a remuneration prohibited under these rules.

### **Diversity**

For listed companies above a certain size, Swiss law requires gender quotas for the board of directors and executive management. Companies fall into the scope of application if they exceed the thresholds set in article 727 (1) (2) CO, i.e., if in any two consecutive financial years, they meet two of the following three criteria (i) total assets of more than CHF 20 million; (ii) sales revenue of more than CHF 40 million; (iii) an annual average of more than 250 full-time employees (FTEs).

The quotas for the underrepresented gender (typically women) are 30% for the board of directors and 20% for executive management. If a subject company does not meet either quota, it is required to disclose the reasons for non-compliance in the remuneration report, along with the measures implemented to promote the underrepresented gender. Swiss law is very generous in allowing long transition periods before these gender quotas take effect – until 2026 for the board of directors and 2031 for executive management. However, several proxy advisors expect compliance already now, and non-compliant companies will have to be prepared to make a compelling case, irrespective of the law's timeline.

### Sustainability Reporting

Swiss law provides for three different sustainability reporting obligations. The following table gives a high-level overview of the scope of application and the extent of the transparency obligations:

	Reporting	Scope of Applicability	Scope of Reporting
1	Non-financial reporting (art. 964a-964c CO)	Swiss listed companies exceeding certain size criteria and prudentially supervised companies	Reporting on environmental, social and employee matters, human rights and anti-corruption measures
2	Transparency obligations for commodity firms (art. 964d-964i CO)	Companies subject to ordinary audits and either directly or indirectly (via controlling interests) active in the extraction of minerals, oil or natural gas or harvesting of timber in primary forests	Reporting on payments (cash or in kind) to governmental agencies with a value of at least CHF 100,000 (by one-off payment or several payments with an aggregate value)
3	Reporting and due diligence obligations regarding child labor and conflict minerals (art. 964j-964l CO)	In principle, any company with a registered office, head office or principal place of business in Switzerland and in the business of importing, processing or offering products involving conflict minerals or products or services potentially involving child labor; exemption applies to SMEs and companies with low risk exposure	Supply chain policy and supply chain traceability system but no systematic checks of all products or services required

For more details on the above reporting obligations, see (Chapter 10.4).

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## 10.4 Swiss Law: Deep Dive into Articles 964a-I CO

After years of political debate and a referendum on a popular initiative billed as “The Responsible Business Initiative – Protecting human rights and the environment”, which Swiss voters rejected, new statutory provisions came into force on 1 January 2022 that introduced non-financial reporting and supply chain due diligence obligations and specific reporting duties for the prevention of child labor and the ethical sourcing of conflict minerals.

The new provisions are part of the Swiss Code of Obligations (CO) and are modeled on the EU Non-Financial Reporting Directive (NFRD), the EU Conflict Minerals Regulation and the Dutch Child Labor Due Diligence Act. The new supply chain due diligence and reporting obligations are further subject to the Ordinance on Due Diligence and Transparency in Relation to Minerals and Metals from Conflict-Affected Areas and Child Labor, or the Swiss Conflict Minerals and Child Labor Ordinance for short, dated 3 December 2021 (DDTrO).

This chapter provides an overview of these reporting and due diligence standards to facilitate issuers' compliance with the new requirements. First reporting in accordance with the new standards will be required in 2024 for the 2023 financial year. The policies underlying these reports will need to be defined and in effect as early as 1 January 2023.

Intentional non-compliance with the reporting duties can result in fines of up to CHF 100,000 (negligence is subject to fines of up to CHF 50,000, pursuant to article 325ter of the Swiss Criminal Code). Non-compliance with the due diligence obligations is not subject to criminal fines. There are no new statutory provisions as regards civil liability. Also, it is not apparent that the lawmakers intended to introduce special duties of care to enable individuals to bring claims for damages in tort in the event of non-compliance with the due diligence obligations and specific reporting duties. In particular, the duties of care pursuant to article 964k CO or the policies established under article 964b CO cannot be used as a protective norm in the case of a pecuniary loss or the violation of absolute legal interests through omission.

### 10.4.1 Non-Financial Disclosure Pursuant to Articles 964a-c CO

#### **Companies within the Scope of Application**

Swiss companies (i.e., companies which have their registered office in Switzerland) are subject to (in scope of) the non-financial reporting duties if they are listed on a Swiss stock exchange or abroad and, combined with their controlled companies in Switzerland and abroad, (i) have an annual average of at least 500 full-time equivalent employees

(FTEs) in two successive financial years, and (ii) exceed in two successive financial years either total assets of CHF 20 million or revenues of CHF 40 million. Foreign companies whose shares are listed on SIX Swiss Exchange (SIX) are not subject to the new reporting obligations pursuant to articles 964a-c CO.

Swiss companies are exempt from the new non-financial reporting obligations if they are controlled by another company subject to the new regulations, or by a company subject to reporting requirements under foreign law that are considered equivalent to the new Swiss non-financial reporting standard. The CO does not provide any guidance on the relevant equivalency standard. As the Swiss regulations have been modeled on the NFRD, we believe that any reporting required under that standard should be considered equivalent. The same should apply to the new EU Corporate Sustainability Reporting Directive (CSRD), which is expected to replace the NFRD in January 2024. Other foreign reporting standards may also be equivalent, but issuers will need to make a case-by-case analysis.

## 10.4.2 Content of Annual Non-Financial Reporting

### Content Required Pursuant to Articles 964b CO

The non-financial report must cover:

- Environmental matters, in particular the applicable CO<sub>2</sub> goals;
- Social issues;
- Employee-related issues;
- Respect for human rights; and
- Combating corruption.

The report must further contain the information required to understand the business performance, the business result, the state of the undertaking and the effects of its activity on the above non-financial matters. More specifically, the report should include the following:

- a) A description of the issuer's business model;
- b) A description of the policies pursued in relation to the above matters, including the due diligence standards applied;
- c) A presentation of the measures taken to implement these policies and an assessment of the effectiveness of these measures;
- d) A description of the main risks related to the matters referred to above and how the company is dealing with these risks; in particular, the report should cover:
  - a. Risks that arise from the company's own business operations, and
  - b. Where relevant and proportionate, risks that arise from the company's business relationships, products or services.
- e) The main performance indicators for the company's activities in relation to the above matters.

### Climate Reporting

In relation to climate matters, the regulations in articles 963a–c CO will be supplemented by a new ordinance of the Federal Council which will enter into force in 2024.<sup>1</sup> The ordinance recommends that issuers report on climate matters (as part of the reporting on environmental matters required under article 964b para. 1 CO) in accordance with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the current version of which dates from June 2017, and the annex Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures of October 2021. The initial reports in accordance with TCFD recommendations need to be published in 2025. For the financial year 2023, reporting on climate matters will be governed by articles 963a–c CO only.

One of the key features of reporting under the ordinance and indirectly under the TCFD recommendations is a requirement for issuers to publicly disclose quantitative information on CO<sub>2</sub> targets and, where applicable, targets for other greenhouse gases and quantitative information regarding all greenhouse gas emissions. Furthermore, issuers are required to disclose their basic assumptions and methods in order to increase comparability among market participants. In line with the requirement under the CSRD, the report on climate matters must be published at least in a human-readable (e.g., pdf) and a machine readable format (e.g., XBRL). Since the report on climate matters is to be included in the non-financial report, the requirement of machine-readable will de facto be extended to the entire non-financial report.

### Double Materiality

Reporting must generally follow the double materiality principle: Issuers must provide non-financial information if it is either material to the issuer from a financial perspective, i.e., it influences the value of the issuer (outside-in perspective), or it is material from environmental and social perspectives<sup>2</sup>, i.e., it is necessary for an understanding of how the issuer's activities impact people and the environment (inside-out perspective).

### Comply or Explain

The new non-financial reporting follows a comply-or-explain approach (article 964b para. 5 CO): If an issuer does not report on one or more non-financial matters to be reported pursuant to article 964b para. 1 CO, it is allowed not to report thereon, provided the issuer offers a clear reasoning and explanation for not adopting a particular policy on matters otherwise subject to the non-financial reporting obligations.

Importantly, article 964b para. 5 CO only provides a comply-or-explain option for the reporting of matters that are being pursued, the measures being taken, and their effectiveness. As such, there is no comply-

<sup>1</sup> Verordnung über die Berichterstattung über Klimabelange (draft), available at [www.news.admin.ch/newsd/message/attachments/73997.pdf](http://www.news.admin.ch/newsd/message/attachments/73997.pdf).

<sup>2</sup> BJ (Ed.), Bericht über Transparenz bezüglich nichtfinanzieller Belange und Sorgfaltspflichten und Transparenz bezüglich Mineralien und Metallen aus Konfliktgebieten und Kinderarbeit vom 19. November 2019, p. 13, available at [www.parlament.ch/centers/documents/de/bericht-kinderarbeit-bj-2019-11-19-d.pdf](http://www.parlament.ch/centers/documents/de/bericht-kinderarbeit-bj-2019-11-19-d.pdf) (25.11.2021).

or-explain option for the reporting of material non-financial matters in accordance with the double materiality principle, nor is there such an option for reporting the risks and performance indicators on the relevant non-financial matters – both must be addressed in the non-financial report.

### **Relation to International Disclosure Frameworks**

Under article 964b para. 3 CO, the report may be based on national, European or international reporting standards, in particular, the standards of the Global Reporting Initiative (GRI). At the time of publication of the 4<sup>th</sup> edition of the handbook, all but one of the SIX-listed Swiss issuers that already publish sustainability reports follow the GRI standard. If a reporting standard does not cover all aspects required under the Swiss non-financial reporting standard, those aspects must be addressed in a supplemental report. If an international standard is applied, then the international standard or the applicable regulations applied must be expressly named in the report.

The Swiss non-financial reporting rules have been modelled on the NFRD. Therefore, the scope of the European and Swiss non-financial reporting regulations should be equivalent. The NFRD will soon be significantly amended by the CSRD. While the Swiss regulations do not expressly refer to the new CSRD standard, we believe compliance with that standard should also satisfy the Swiss standard.

Based on our assessment, using the GRI standard should generally satisfy Swiss statutory standards, but we recommend issuers to conduct a detailed analysis, particularly as the GRI standards gives issuers broad discretion as to how the standard is implemented. Additional disclosure may be necessary in relation to the human rights and anti-corruption topics, where references to the relevant Swiss statutory provisions and the international treaties Switzerland is a party to must be included in the report. Based on their own assessment, the GRI standard provides disclosure requirements largely in line with the TCFD recommended disclosures.

### **Reporting Format**

Article 964b CO does not specify whether the report must be published as a standalone report or whether it can be part of the annual report. According to the legislative materials, reporting should be made in a separate report.<sup>3</sup> A separate report is also possible under the NFRD (cf. article 19a of the NFRD), but under the CSRD, issuers will be required to include their non-financial report in their annual report. We believe the rules of articles 964a et seq. CO also permit integrating the non-financial report in the annual report. Given the developments in the EU, we expect there to be a shift over time to the EU standard. Non-EU issuers (including Swiss issuers) with net sales revenue of more than

<sup>3</sup> BJ (Ed.), Bericht über Transparenz bezüglich nichtfinanzieller Belange und Sorgfaltspflichten und Transparenz bezüglich Mineralien und Metallen aus Konfliktgebieten und Kinderarbeit vom 19. November 2019, p. 8, available at [www.parlament.ch/centers/documents/de/bericht-kinderarbeit-bj-2019-11-19-d.pdf](http://www.parlament.ch/centers/documents/de/bericht-kinderarbeit-bj-2019-11-19-d.pdf) (25.11.2021).

EUR 150 million in the EU at consolidated level and at least one subsidiary (large or listed) or branch (net sales revenue of more than EUR 40 million) in the EU are required to produce a sustainability report at the consolidated level of the ultimate third-country (meaning non-EU) company. The sustainability reports of the third-country company must be prepared in accordance with a separate EU reporting standard, the standard applicable to EU issuers or a standard deemed equivalent (as per the EU Commission's decision). It is not yet clear whether the Swiss standard pursuant to the rules of articles 964a et seq. CO will be deemed equivalent. Reporting under CSRD for non-EU issuers is expected to take effect in 2028, with first reporting due in 2029.

Article 964b para. 6 provides that the report may also be published in English (or in any official language of Switzerland). An English-only report is permissible.

#### **Approval by Shareholders**

As a practical matter, the report will need to be produced in accordance with the schedule for preparing the annual report and the annual financial statements. The main reason for this schedule is that article 964c CO requires that the report be approved by the issuer's shareholders. We therefore recommend that the issuer's board of directors approve and recommend the report for approval by shareholders at the meeting at which it also approves the remaining items on the agenda for the annual general meeting.

Shareholders can approve or reject the report, but cannot submit a proposal to amend or change the report. If the vote on the report is negative, this does not have any immediate legal consequences. The board will need to review the reasons for the rejection and then take the appropriate measures in view of the reasons. The board will not be required to resubmit the report for approval. It is sufficient if the board addresses the issues that have led to a negative vote in the next report.

#### **No Audit Requirement**

The Swiss non-financial reporting regulations do not require issuers to have an audit firm provide an assurance opinion on the report. This contrasts with the CSRD, under which sustainability reports, including those of third-country companies, will have to be published with an assurance opinion.

#### **Publication of Non-Financial Report**

The report must be published electronically immediately upon approval and must remain accessible for at least ten years. Our reading of article 964c para. 2 no. 1 is that publication is only required after shareholders have approved the report. However, as a practical matter, the report will need to be made available prior to the annual general meeting so that shareholders can vote on the report on an informed basis.

### 10.4.3 Due Diligence and Transparency Obligations in Connection with Conflict Minerals and Child Labor pursuant to Articles 964j-I CO

#### Companies within the Scope of Application

The new supply chain due diligence obligations and specific reporting duties regarding the prevention of child labor and the ethical sourcing of conflict minerals, as defined in articles 964j-I CO, are applicable to companies with a registered office, head office or principal place of business/headquarters in Switzerland that:

- a) Import minerals and metals containing tin, tungsten, tantalum or gold from conflict and high-risk areas into Switzerland or process these minerals and metals in Switzerland, or
- b) Offer products or services that may reasonably be suspected to have been produced using child labor. Companies must prove that they have carried out the necessary verification to establish whether such suspicion is warranted regarding their products/services.

Entities that would be subject to (in scope of) articles 964j-I CO include, in addition to a Swiss group, all Swiss direct and indirect subsidiaries of a foreign parent, in each case, however, *only* if they meet the above requirements. Swiss holding companies would generally not be subject to articles 964j-I CO. Also, the new supply chain due diligence obligations and specific reporting duties *do not* apply on a consolidated basis, i.e., they only apply to the entity within a group that satisfies the relevant criteria.

Companies with their registered office abroad could fall within the scope of the new regulation if their head office or principal place of business is in Switzerland. "Head office" refers to the place where the business management of the company takes place. The "principal place of business/headquarters" is deemed to be the place where there is a recognizable, actual center of business activity.

The new provisions regarding child labor are not limited to an offering of products or services in Switzerland. If a company has its registered office, head office or principal place of business/headquarters in Switzerland and offers products and/or services only abroad, for example through foreign subsidiaries or third-party distributors, then the new provisions on child labor still apply.

### Exemptions

Exemptions from the conflict minerals and metals due diligence obligations apply for companies that, on a consolidated basis, do not reach certain import thresholds for conflict minerals and metals. For companies that do reach the threshold but only import or process *recycled* conflict minerals or metals, only limited due diligence obligations apply.<sup>4</sup>

The following are exempted from the child labor due diligence obligations: (i) companies that are considered to have a low risk of exposure to child labor in their supply chains, based on whether they source products from or primarily provide/procure services in countries classified as low risk, i.e., countries in the Basic category of the UNICEF Children's Rights in the Workplace Index, and (ii) small or medium-sized enterprises (SMEs). SMEs are defined as entities that fall below two of the following three criteria (when assessed in conjunction with their controlled entities) for two consecutive financial years:

- a) Total assets of CHF 20 million;
- b) Sales revenue of CHF 40 million; and
- c) An annual average of 250 full-time employees (FTEs).

However, where the risk of child labor involvement is evident, the two exemptions above are not available, regardless of the UNICEF rating and whether the company meets the criteria of an SME. The SME and low-risk exceptions apply only to the child labor due diligence obligations and, as such, an SME that imports minerals from conflict or high-risk areas (at a volume above the import threshold exemption) will still be subject to (in scope of) articles 964j-I CO. No industry-specific exemptions apply.

There is a more general exemption for companies that comply with equivalent frameworks that are internationally recognized, e.g., the OECD Due Diligence Guidance on Promoting Responsible Supply Chains for Minerals and ILO Conventions Nos. 138 and 182. To qualify for this exemption, companies have to name the relevant international framework in a public report and apply that framework's regulations in their entirety (see annex 2 to DDTrO), in lieu of articles 964j et seq. CO.

### Due Diligence Obligations

The due diligence obligations defined in article 964j CO and the DDTrO include:

- a) Implementing a management system that, in particular, includes a supply chain policy addressing the matter of (i) possible conflict minerals and/or (ii) products/services potentially involving child labor; and
- b) Implementing a supply chain traceability system (conducting onsite checks; seeking information from public authorities, international organizations and civil society; consulting experts and specialist literature; obtaining assurances from economic operators in the supply chain and other business partners, using recognized standards and certification systems);
- c) Communicating the supply chain policy to the general public and to suppliers;

<sup>4</sup> See Annex 1 to the DDTrO and article 12 para. 3 DDTrO.

- d) Assessing risks regarding adverse effects relating to conflict minerals or products where there is a risk of child labor in the supply chain;
- e) Preparing a risk management plan to address those risks, including risk mitigation measures and establishing a complaints procedure; and
- f) Documenting these procedures effectively.

### **Report on Implementation of Due Diligence Obligations**

The new regulations require companies that are subject to the due diligence obligations to annually report on the fulfilment of these due diligence obligations. There is no shareholder approval requirement.

Where a Swiss company is controlled by a legal entity domiciled abroad and this legal entity prepares a report that is equivalent to requirements under Swiss law, the Swiss company will be exempt from that particular reporting requirement. There is no guidance as to what constitutes an equivalent standard. Reporting under the EU Conflict Minerals Regulation would likely qualify. On the other hand, reporting on Form SD under applicable US SEC regulations may not, as the scope of these regulations is geographically much more limited than the worldwide scope of the Swiss regulations.

If a reporting company is required to establish consolidated financial statements, then it must also prepare a consolidated report. Any entity included in a consolidated report is exempt from preparing its own report. As many ultimate group parent companies will be holding companies, the practical effect of this consolidated reporting requirement may be limited. If the group parent company does prepare a consolidated report, even though not required by the statute, we believe the exemption should also apply.

### **Audit Requirement**

According to article 964k para. 3 CO, compliance with due diligence requirements on conflict minerals and metals must be audited by an independent expert. There is no auditing obligation with regard to compliance with the due diligence obligations on child labor.

According to article 16 para. 1 DDTro, the audit must be performed by a licensed audit expert that meets the independence requirements of article 728 CO. The audit firm does not necessarily have to be the statutory auditor. The audit firm must review whether there are facts from which it can be concluded that the due diligence obligations pursuant to article 964k para. 1-2 CO have not been complied with (negative assurance; see article 16 para. 2 DDTro).

### **Publication of Report**

The report must be published electronically within six months of the end of the financial year and must remain accessible for at least ten years.

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## 10.5 EU Regulatory Framework on Sustainability Reporting

### EU Regularity Framework on Sustainability Reporting

The Non-Financial Reporting Directive (**NFRD**) has been in effect since 2018 and requires large EU companies to disclose information on how they operate and manage social and environmental challenges. Under the NFRD, large companies must publish information related to

- environmental matters,
- social matters and treatment of employees,
- respect for human rights,
- anti-bribery and anti-corruption, and
- diversity on company boards (in terms of age, gender, educational and professional background).

The NFRD introduced a **double materiality perspective**:

While single materiality refers to a reporting approach that merely considers how sustainable elements affect a company's financial value, double materiality also considers the company's own impact on the environment and society as a whole.

It describes a reporting approach that accounts for the implications on a firm's **financial** value and also its **impact** on the world at large, in particular with regard to climate change and other environmental impacts.

The principle therefore builds on both dimensions of sustainability, namely **impact materiality** and **financial materiality** perspectives, both of which are to be applied without ignoring their interactions.

- a) **Impact materiality** means sustainability matters that are material in terms of the impacts of the reporting entity's own operations and its value chains.
- b) **Financial materiality** means sustainability matters that are financially material for the reporting entity based on evidence that such matters are reasonably likely to affect its value beyond what is already recognized in financial reporting.

Apart from this, the NFRD does not require the use of a non-financial reporting standard or framework, nor does it impose any detailed disclosure requirements. This has led to great reporting flexibility for in-scope companies. However, as a result, investors are not given a truthful picture of the sustainability risks facing the reporting companies.

As investors are becoming more and more dependent on information on how businesses affect society and the environment, mainly to meet their own legal obligations, the provisions of the NFRD have been deemed as no longer fit for purpose and do not ensure the necessary comparability for the matured sustainability landscape.

In this context, the European Commission adopted a proposal for a Corporate Sustainability Reporting Directive (CSRD) in April 2021 which strives to update the existing regulations and harmonize EU initiatives on sustainable finance. Most significantly, it increases comparability and accessibility of information by establishing mandatory EU reporting standards that specify how businesses should report on ESG aspects and their sustainability performance.

### Extended Scope

A central element of the proposal is the extension of the scope of the reporting requirements. Under the current NFRD framework, only large public-interest companies in the EU are subject to the obligation of non-financial information disclosure. This includes listed companies as well as banks and insurance companies exceeding the threshold of 500 employees. The CSRD expands the scope of companies by imposing the reporting requirements on the following companies:

- All **listed** companies, regardless of size (including entities established outside the EU but listed on EU regulated markets)
- All **large** companies, regardless of listing (meeting at least two of three criteria: more than 250 employees, more than EUR 40 million in sales revenue, and/or more than EUR 20 million in total assets)
- **Third-country (meaning non-EU) companies** with consolidated net sales revenue of EUR 150 million in the EU and at least one subsidiary or a branch in the EU generating more than EUR 40 million in sales revenue

For (listed) small and medium-sized enterprises (SMEs), the European Commission proposes drafting separate standards that are proportionate to the limited resources of those companies. Listed SMEs have until 1 January 2026 to comply with the reporting requirements but can decide not to provide sustainability reporting until 2028, if they include a justification of its absence in the management report.

The generally extended scope of disclosure accounts for the fact that both retail and institutional investors, such as asset managers, are increasingly dependent on sustainability information. They refer to it to reliably invest according to their individual sustainability preferences or, in the case of asset managers, to meet the increasing requirements under the Sustainable Finance Disclosure Regulation (SFDR).

### Mandatory Third-Party Assurance

The CSRD also introduces an EU-wide requirement for independent external assurance on sustainability information to enhance the credibility of the information reported. For the time being, only a limited assurance engagement is required, which provides for less extensive procedures than reasonable assurance. However, reasonable assurance is expected to be required six years after the CSRD enters into force.

### Reporting Standards

The mandatory EU sustainability reporting standards are being developed by the European Financial Reporting Advisory Group (EFRAG) which is working closely with organizations that have advanced the cause of sustainability reporting, such as the Global Reporting Initiative

(GRI) and the IFRS Foundation. The EFRAG aims to ensure that the newly developed standards are building on and compatible with leading international initiatives but at the same time consider EU specifications.

Based on the current drafts, the sustainability reporting architecture consists of *three layers*, namely *sector-agnostic*, *sector-specific* and *entity-specific standards*. The sector-agnostic standards are divided into cross-cutting standards, which focus on strategy, governance, impacts, risks, and opportunities, and topical standards, which cover a detailed list of sustainability matters in all three dimensions: Environmental, Social and Governance.

In this context it is worth mentioning the ongoing international movement around sustainability reporting: The International Sustainability Standards Board (ISSB), which published its draft standards on 31 March 2022, aims to contribute to the standardization of climate disclosures at the global level. It remains to be seen how the European standards and the upcoming ISSB standards will complement one another and whether businesses will be required to report in accordance with both standards. Regarding the definition of materiality, however, there may be inconsistencies between the ISSB criteria and the European drafts. The ISSB standards define materiality from a financial standpoint, basing themselves on frameworks like the Sustainability Accounting Standards Board (**SASB**), whereas the EFRAG follows the principle of double materiality.

Initial efforts are also underway in the United States. On 21 March 2022, the Securities and Exchange Commission (**SEC**) proposed rule changes that would require registered companies to disclose certain climate-related information. The proposal would apply to both domestic and foreign companies registered with the SEC.

### **Management Report and European Single Access Point**

An important factor that will significantly change the current reporting practice is the central location of the required sustainability information in the management report. Under the former NFRD framework, EU member states can allow companies to report outside of the management report, for example within a separate sustainability report. The new proposal removes this option. Thus, the CSRD intends to place sustainability information on an equal footing with financial information to standardize sustainability reporting.

Since non-financial information will be disclosed in the management report, the new directive requires that in-scope companies provide the sustainability information in a digital machine-readable format, meaning an XHTML format following the ESEF Regulation. Furthermore, the directive requires digitally tagging the reported sustainability information to make it easy to find and use. This requirement also helps to create a European single access point (ESAP) for public corporate information, as proposed by the European Commission in November 2021. The goal behind this is to centralize and improve public access to entities' financial and sustainability information through a data platform, in line with the EU's digital finance strategy. Under the proposal, the disclosures according to the CSRD would be submitted to collection

bodies, meaning the national authorities or bodies that collect and store information submitted by entities in each country. Once the collection bodies receive the information, it would be forwarded to the ESAP by automated means through a single application programming interface. Data would need to be stored in each of the national collection bodies and with the European Securities and Markets Authority (ESMA) in Paris.<sup>5</sup>

### The CSRD within the Sustainable Finance Framework and Taxonomy

The CSRD ensures alignment with other EU initiatives on sustainable finance, the SFDR and the Taxonomy Regulation (Taxonomy) which are the key pillars of the package of measures implementing the EU Action Plan on Sustainable Finance and the EU Green Deal.

By introducing sustainability-related disclosure obligations for financial market participants and advisors, the aim of the SFDR is to provide greater transparency, prevent greenwashing and ensure comparability in the European financial markets. While the first requirements were already introduced in March 2021, further technical standards relating to presentation, the content and the methodologies of the SFDR framework principles will be applicable from the beginning of 2023. The SFDR is highly interconnected with the EU Taxonomy, the latter introducing additional Taxonomy-related transparency obligations for SFDR funds.

The EU Taxonomy describes a European uniform classification system that calls for a common understanding of “green”, or environmentally sustainable, economic activities under the new reporting requirements in the EU. In this regard, environmentally sustainable economic activities need to:

1. **Substantially contribute** to one of the six defined environmental objectives pursued by the Taxonomy, based on detailed technical screening criteria (in delegated acts);
2. **Not significantly harm** the other five objectives (with criteria and thresholds defined in the delegated acts);
3. Be carried out in compliance with the **minimum safeguards** (including the OECD Guidelines for Multinational Enterprises, the International Labor Organization, etc.).

The Taxonomy Regulation establishes six environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

(It is also important to note that the EU intends to complement the existing green taxonomy with a) an additional Environmental Transition Taxonomy for economic activities that do not have a significant impact on environmental sustainability, b) for economic activities that

<sup>5</sup> ESMA will officially establish the ESAP by 31 December 2024. Following its creation, the ESMA will have the task of operating and monitoring the functioning of the ESAP.

significantly harm environmental sustainability and, most importantly, c) an EU Social Taxonomy for economic activities that contribute to the EU's social objectives, such as decent work along the entire value chain, adequate living standards and wellbeing for end users, and inclusive and sustainable communities. But because the two new Taxonomies are still in their infancy and there is a lot still to be done, it is unclear whether the EU Commission will move forward on these until the end of this mandate in 2024.)

Under the Taxonomy, companies that fall within the scope of the current NFRD – and the additional companies brought under the scope of the proposed CSRD – are required to report on the extent to which their activities are sustainable. Therefore, the Taxonomy report will be part of the annual CSRD disclosure.

This resulting data will then be made available to banks and asset managers, basically the SFDR scoped entities, enabling them to disclose on the portion of their investments that is in environmentally sustainable economic activities. This disclosure would be conducted on both the entity level and the funds level: It covers Articles 8 and 9 SFDR funds (excluding Article 6 products) and requires disclosure on how and to what extent the investments underlying these funds are in economic activities that qualify as environmentally sustainable under the Taxonomy Regulation.

### Timeline

The application of the CSRD will take place in the following stages:

- 1 January 2024 for companies already subject to the NFRD;
- 1 January 2025 for listed and large companies that are not presently subject to the NFRD;
- 1 January 2026 for listed SMEs, small and non-complex credit institutions and captive insurance companies; and
- 1 January 2028 for third-country companies.

### Recommended Key Steps

- **Check if you meet the CSRD reporting requirements.** Companies should early on conduct a scoping assessment across all their entities to clarify which (if any) entities fall under the scope of the regulation and to make the strategic decision on whether to publish the required information at group level or country-by-country.
- **Assess the importance of CSRD reporting data for current/potential investors and clients.** CSRD reporting data makes for a great support tool for investors, who are increasingly interested in their social and environmental impact. Furthermore, investors and other financial market participants are themselves subject to disclosure obligations under different EU initiatives on sustainable finance, such as the SFDR and Taxonomy. CSRD disclosures provide investors and other financial market participants with the data they need to meet their own reporting obligations. Companies unable to provide the necessary information may find themselves excluded from investment portfolios.

Besides investors, clients – especially those with significant buying power – will increasingly expect their suppliers to commit to ESG goals and publish sustainability information in order to increase their own sustainability footprint in their procurement processes and input to their value chain.

- **Start early.** Although the CSRD is not yet applicable, substantial regulatory changes and challenges regarding the preparation phase as well as the update of the reporting and sustainability strategy are to be expected. As a result, SIX-listed companies need to start preparing for reporting in a timely manner, as they need to compare the data with that of the previous year.
- **Conduct a gap analysis between current reporting information and the new requirements.** This is to help you identify the differences between your current state of reporting versus where you would like to be and what the new CSRD proposal expects.
- **Set up an ESG reporting database** that best suits to your company.
- **Check dependencies and quick wins with other applicable reporting standards.**
- **Confirm ESG data sources and address ESG data gaps.** For your sustainability report to be credible, it must be based on reportable, auditable, and high-quality data.
- **Start setting up reporting processes and a robust ESG reporting framework.**
- **Establish ESG reporting governance.** To guarantee its long-term ESG success, your company should provide a clear governance, structure, and accountability system.
- **Ensure greenwashing risk is mitigated.** Greenwashing risks emerge in a variety of risk categories, such as strategic, legal, compliance, and reputational risks. It is therefore important to identify such risks in a timely manner.
- **Align with key investors and finance providers.** Investor perspective is important to identify ESG priorities and the most crucial disclosure areas.

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# 10.6 How to Approach Disclosure Requirements across Jurisdictions

## **Sustainability Disclosure Regulations Are Revised and Improved**

Regulations and reporting requirements of sustainability and climate disclosures are rapidly evolving. In Switzerland, the non-financial disclosure requirements are stated in article 964 SCO and came into force on 1 January 2022 and are applicable as of the 2023 financial year. In Europe, the Corporate Sustainability Reporting Directive (CSRD) takes effect on 1 January 2024. The relevant European Sustainability Reporting Standards (ESRS) first previewed by the European Commission (EC) and the European Financial Reporting Advisory Group (EFRAG) are currently under public consultation. Also published for consultation are the climate disclosure rules by the Securities and Exchange Commission (SEC) in the US and the IFRS S1 and S2 Standards issued by the International Sustainability Standards Board (ISSB). The following three sections describe the envisaged reporting requirements based on geographical scope, the proposed next steps and instances where external support might be beneficial.

## **Reporting Scenarios Based on Geographical Scope**

For SIX-listed companies, various disclosure requirements apply depending on where a company is headquartered and where its operations are, and whether it is also listed on another stock exchange. There are four possible scenarios, as follows:

**A) SIX-listed companies operating in Switzerland:** Most SIX-listed Swiss companies are legally required to report on various non-financial matters. (Chapters 10.3 and 10.4 describe the disclosure requirements and the companies in-scope.) Similarly, companies not in scope of article 964 SCO need to be prepared to answer any non-financial information requests from other stakeholders in their supply chains, such as customers or financial institutions like insurers or banks. It is therefore in these companies' best interest to report on material ESG matters identified in their stakeholder materiality assessment.

The GRI is a widely accepted and therefore appropriate disclosure framework to apply as a basis. In addition, the 77 sector-specific disclosure standards presented by SASB can support the company in reporting on material industry-specific topics. Further widely accepted and popular frameworks include the four pillars of the TCFD<sup>6</sup> framework and the four-pillar set of World Economic Forum Stakeholder Capitalism Metrics (WEF SCM)<sup>7</sup>.

<sup>6</sup> [Recommendations | Task Force on Climate-Related Financial Disclosures \(fsb-tcfd.org\)](https://www.fsb-tcfd.org/)

<sup>7</sup> [Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation | World Economic Forum \(weforum.org\)](https://www.weforum.org/)

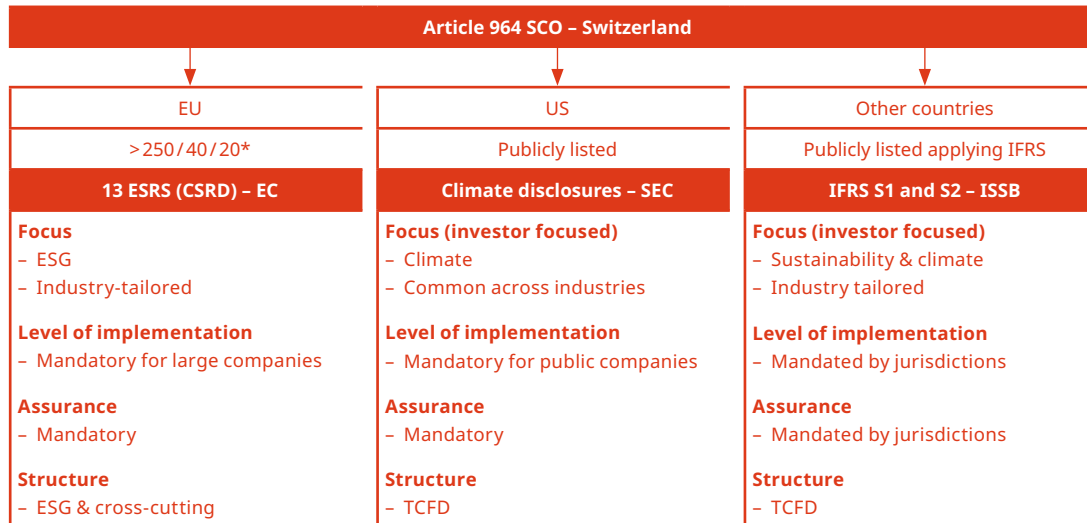
- B) SIX-listed companies operating in the EU:** SIX-listed companies operating in the EU may need to comply with the CSRD and apply the ESRS issued by the EFRAG. The CSRD replaces the less stringent NFRD. (Chapter 10.5 describes the disclosure requirements, the scope of applicability, and which out-of-scope companies should nonetheless meet the disclosure requirements.)
- C) SIX-listed companies with dual listing in the US:** The SEC released its proposed rules on climate-related disclosure in March 2022. Public companies listed on the US stock exchange will need to comply with these rules once it is published. The rules are expected to be applicable from the 2023 financial year.
- D) SIX-listed companies operating in other countries:** The ISSB released two exposure drafts (EDs) of proposed standards on general sustainability and climate reporting in March 2022 (IFRS S1 and IFRS S2). The standards are aligned with the TCFD recommendations and intended to encompass and cover wider jurisdictional requirements where IFRS standards have been adopted as generally agreed accounting standards.

Ultimately, it is up to the individual jurisdiction to decide whether to mandate the use of the IFRS S1 and S2 disclosure standards. The UK, for example, has confirmed its adoption of the standards, but the shape and nature of the endorsement is yet to be determined<sup>8</sup>. In the UK, the TCFD is already mandatory<sup>9</sup> for listed companies, banks and insurers with more than 500 employees. Also required to disclose will be UK-based Alternative Investment Market (AIM) companies with 500 or more employees; limited liability partnerships (LLPs) with 500 or more employees and sales revenue of more than GBP 500 million, and non-listed companies with 500 employees or more and sales revenue of more than GBP 500 million.

As the regulatory landscape for non-financial disclosure is currently being shaped in many countries, companies will need to carefully observe what regulations and standards the different countries choose to adopt, whether it will be the CSRD in the EU, the IFRS S1 and S2 of the ISSB, or the SEC's climate disclosure requirements.

<sup>8</sup> [UK to adopt ISSB's new international sustainability standards](#)

<sup>9</sup> [TCFD mandate](#)



\*\*> 250 employees, > EUR 40m turnover, > EUR 20m in total assets

Figure 5: Reporting Requirements at a Glance

### Proposed Steps to Compliance

In order to manage the various requirements and the varying time-lines in a structured manner, companies should first identify under which of the above regulatory requirements they fall due to their geographical scope and what the potential gaps are compared to their current disclosures are (regulatory gap assessment). Next, they should perform a materiality analysis, evaluate their data management approach, and establish a robust reporting framework. In a final step, companies should develop the reporting structure, write the report, and obtain external assurance. It is common to report on all sustainability matters in one sustainability report, or cover all matters in the integrated report.

### Getting it Right from the Start

Given the immense speed at which regulatory requirements are evolving, a structured and comprehensive approach from the start is necessary to minimize the implementation costs of additional disclosure requirements that the future will likely bring.

External specialists can support companies when the necessary expertise is not readily available in-house. This may lead to reduced costs and less effort in the long run, while providing a solid foundation for efficient and continuous stakeholder management.

### Gap Assessment

Companies should ensure that they stay up-to-date on the latest regulatory changes. If choosing to centralize sustainability reporting in its group report, a group should ascertain that the global report covers regional differences, including variations in material topics. If many differing local requirements need to be monitored, external support may be beneficial and more efficient to ensure compliance.

**Materiality**

Every company should perform a materiality analysis to identify and define material sustainability topics. The assessment should describe topics that reflect the company’s significant impact on the environment and society, and sustainability topics that create or erode enterprise value and are therefore financially material. The ESRS in the EU will require disclosure on this double materiality concept, and companies should plan and execute a structured process of identifying industry and benchmark-specific topics and independently interviewing stakeholders.

(For more details on how to conduct a materiality analysis, see Chapter 10.2.)



**Data**

Data management and data quality should be a top priority. To ensure transparency, data completeness and integrity are key. Reporting for example on Scope 1, 2 and 3 greenhouse gas emissions requires access to accurate and complete data, including an understanding of emission sources and emission calculation methodology.

**Reporting**

The reporting process requires timely planning and an appropriate governance framework. Robust processes and controls over non-financial reporting are critical to ensure materially correct disclosures. Companies should ensure that adequate resources are available for the company reporting cycle and that processes and controls are ready for external scrutiny. This especially applies when managing new regulatory requirements on a busy schedule.

**Assurance**

Assurance of sustainability disclosures is mandatory for large companies operating within the EU and for public companies in the US, according to the CSRD and the SEC. Third-party assurance increases credibility and supports longstanding trust among companies, stakeholders, and the capital markets.

 **Strategy**

 **Governance**

All company decisions and tasks related to sustainability reporting should be aligned with the company strategy and supported by a sound governance model – including top-level support and committed resources. The intention of the regulations is to create transparency of the impact of ESG topics, to incentivize resilient business models and to enable a viable transition toward a sustainable economy. ESG reporting is no longer a nice-to-have, but a must-have, in order to survive and succeed.

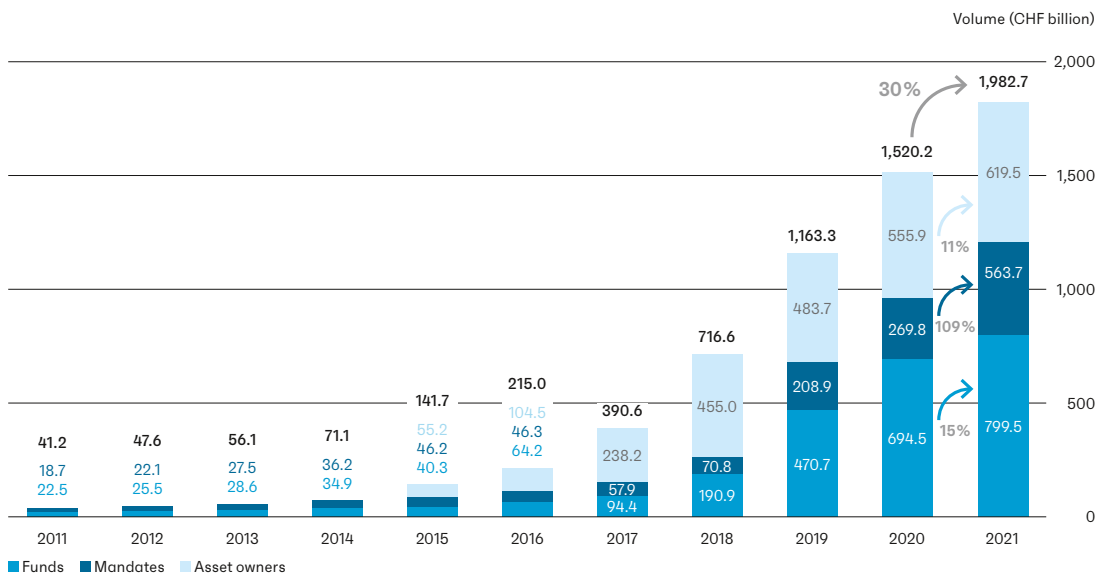
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# 10.7 Expectations of International Investors

In recent years, sustainable investments in Switzerland have achieved massive growth, reaching a volume of almost CHF 2,000 billion by the end of 2021.

## Development of sustainable investments in Switzerland (in CHF billion)

Source: Swiss Sustainable Finance



Source: Swiss Sustainable Finance (SSF), Swiss Sustainable Investment Market Study 2022.

The most common approach in this area is to exclude certain securities from the investment universe that are not considered sustainable, for example the tobacco and arms industries. The second most common approach is the integration of ESG in the investment process as well as shareholder engagement with management on ESG issues. Thematic sustainable investments and impact investing have seen the largest growth, with energy, community development, health, water, and clean technologies (cleantech) leading the pack.

The motivation behind sustainable investing is primarily financial performance, that is, optimization of the risk-return profile. Stocks with good ESG ratings tend to perform just as well as or even better than their peers in the market, and do so with less volatility. Only a minority of investors today is willing to significantly compromise on financial performance in exchange for making a greater contribution to positive change and/or adding value to society.

Between 2018 and 2021, the number of institutional investors incorporating a structured, methodical evaluation of non-financial factors into their investment processes increased from approximately 30% to almost 80%. This requires sufficiently in-depth disclosures on the part of companies. A global survey of institutional investors revealed that particularly since the COVID-19 pandemic, ESG has become increasingly important as a topic for investors. Ninety percent of investors said that since the pandemic, the ESG performance of companies has played a greater role in their investment strategies and decision-making processes – a trend that is directly reflected in analysts' recommendations.<sup>10</sup> While Europe has traditionally led the field in ESG investing, investors in the US and in Asia Pacific have now adopted similar priorities.

Sustainability is no longer considered a mere “nice to have” or a marketing exercise, but is now an integral part of risk/opportunity considerations and corporate strategies. Investors want to know how companies add value over the long term and how ESG issues influence a company's financials. The COVID-19 pandemic revealed how vulnerable companies are to global supply chain risks.

Investors continue to pay special attention to the issue of climate change, one of the most urgent challenges of our time, and they analyze their portfolios' exposure to physical and transition risks. Nowadays, decarbonization strategies play a key role in investment decisions. However, the COVID-19 pandemic has led investors to focus more on the S in ESG. This is not least because consumers are also motivated by social issues. Health and safety, security, diversity and inclusion, human rights and labor issues are just as much a part of a balanced ESG discussion as are energy and emissions, water, biodiversity and governance issues.

Institutional investors have three priorities for effective decision-making on the basis of ESG data:

- Investors want better-quality ESG data. On the one hand, they have concerns over whether companies are actually as sustainable as they make out to be; “greenwashing” also represents a risk for investors. On the other hand, there is a need to improve the analysis of sustainability data, which is often very basic, so that it can be properly presented in discussions with investors; this includes a discussion about the relevant data collection processes and IT systems.
- The vast majority of investors miss a clear focus on the issues that are financially important (financial materiality). Long-winded reports with no clear focus can often conceal key information. The key factor here is the link to a company's core business, but investors observe a disconnect between ESG reporting and financial reporting.
- Investors want a standardized global reporting framework as well as mandatory ESG reporting requirements, including independent assurance so as to ensure the consistency and comparability of the information disclosed.

<sup>10</sup> EY, Sixth global institutional investor survey, November 2021.

At present, the frameworks provided by the International Business Council of the World Economic Forum (WEF IBC), the Value Reporting Foundation (Integrated Reporting and SASB) and the Task Force on Climate-Related Financial Disclosures (TCFD) cover investors' needs as they focus on sustainability through the lens of financial performance. Going forward, the IFRS Foundation with the International Sustainability Standards Board (ISSB) is well-positioned to assist in consolidating and harmonizing these frameworks so as to create a globally consistent basis for sustainability reporting. The first relevant standards will be available from 2023 (IFRS S1 and IFRS S2).

In addition to this, it is also recommended for companies to report their external impact. In this regard, the GRI standards are most commonly used as a framework for sustainability reporting. At least in Europe, the double materiality approach will establish itself over the medium term with the entry into force of the Corporate Sustainability Reporting Directive (CSRD), which explicitly considers the impact on a company and that company's own external impact. Furthermore, the EU Taxonomy promises a uniform classification system for investors that determines which business activities – and therefore companies – can be rated as sustainable. Even though a Swiss company should not be directly affected by corresponding EU regulations, these may well be relevant, either because of investors who have to report under the EU Sustainable Finance Disclosure Regulation (SFDR) and need information about their underlying instruments, for example, or because clients may request certain information. Global capital markets are not constrained by national borders, and issuers should carefully monitor these international regulatory developments.

Ultimately, investors want transparency and balanced reporting on a company's performance, rather than mere lip service and glossy brochures. With regard to the level of credibility required, investors also take into account governance aspects, such as ESG components in senior management remuneration systems, external independent audits of sustainability performance or whether the sustainability team reports directly to the executive board and how the board of directors is involved with this issue. A sub-par ESG performance can lead to shareholder activism aimed at influencing management and improving a company's performance. If this is unsuccessful, investors might even consider a divestment of shares.

### **Conclusion**

In recent years, ESG has become a key issue in the investor community. Experience has shown that the following helpful tips should be followed to ensure that an effective and targeted system for sustainability reporting can be put in place:

- Avoid green/SDG-washing by providing transparent, balanced and credible reporting.
- Perform robust climate scenario analyses and quantify the financial impact (TCFD reporting).
- State the role the company plays with its decarbonization strategy regarding net-zero targets (ideally Science Based Targets-aligned).
- Investors are usually satisfied if ESG is considered from the point of view of financial materiality.

- Do not just focus on environmental sustainability; also consider social factors.
- A materiality analysis that includes external stakeholders helps focus on the right areas. From an investor-relations perspective, the focus in this regard should also be on financially significant ESG issues.
- ESG should be part of the equity narrative and long-term value creation. This means involving the entire value chain.
- Involving the CFO and finance functions with sustainability reporting helps to connect and reconcile non-financial information with financial data, and also improves other processes and quality by building upon tried-and-tested financial reporting processes.
- External assurance for sustainability reporting helps to bring it up to the same level as financial reporting and to boost its credibility.

A company should communicate with its shareholders and key investors so as to understand their expectations with regard to sustainability – after all, they may have differing views on the matter.

#### **The “Big Three” Asset Managers View ESG as a Key to Financial Success**

BlackRock’s CEO Larry Fink is already known for his annual → **Letter to CEOs**, which in recent years have highlighted the importance of ESG and demanded reporting in line with TCFD and SASB or equivalent industry-specific, investor-oriented standards. The bottom line with regard to stakeholder capitalism is that ESG is vital to a company’s sustainable, long-term financial success. BlackRock, Vanguard and State Street Global Advisors have updated their corporate governance and ESG policies and priorities for 2022; their proxy voting guidelines define clear requirements with a focus on the climate and a transition to a net-zero economy, diversity across boards of directors and staff, as well as human capital management. Proxy advisors, such as ISS and Glass Lewis, also have similar requirements in place.

### **ESG Ratings Measure the Impact of Sustainability Risks and Opportunities on the Bottom Line**

Alongside their own analyses, asset managers, financial institutions and investors increasingly look at ESG ratings issued by agencies to assess the performance of companies. However, the lack of standardization in the area of sustainability reporting is also reflected here. The same company can receive completely different ratings from different providers depending on how sustainability is defined; that is to say, which ESG criteria are considered and the weighting they are given. One thing they usually have in common is a focus on the impact of ESG on the company's financial bottom line. Below is a list of the most important providers at present:

- Inrate (basis for ESG indices from SIX: SXI Switzerland Sustainability 25 Index, SPI ESG, SPI ESG Weighted, SPI ESG Multi and Single Premia indices, SBI ESG and subindices, SBI ESG Screened AAA-BBB)
- Sustainalytics (belongs to Morningstar)
- S&P Global ESG Scores (basis for the Dow Jones Sustainability Index)
- MSCI ESG
- Bloomberg ESG
- FTSE Russell ESG
- ISS ESG
- Refinitive (belongs to the London Stock Exchange Group)
- Moody's ESG Solutions Group
- RepRisk
- CDP
- GRESB (for Real Estate)

Responding to requests for data from these ESG rating agencies can be extremely time-consuming. Companies should therefore reach out to their core investors to understand which ESG ratings are the most important for them.

### **Top ESG Issues**

- Corporate governance and business ethics
- Climate change/opportunities and risks (TCFD reporting)
- Energy and emissions (net-zero targets)
- Biodiversity risks (TNFD reporting)
- Client satisfaction
- Diversity and inclusion
- Impact on local communities
- Health and security
- Labor standards and human rights in the value chain (due diligence)

Source: Based on EY, Sixth global institutional investor survey, November 2021 and Swiss Sustainable Finance (SSF), Swiss Sustainable Investment Market Study 2022.

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11.0

# Closing Word: What Is Investor Relations For?



Perhaps you are asking yourself if you have got this far: What's the point of it all? Why put so much work and money into an activity that is peripheral to a company's performance? Because communication and Investor Relations, as explained in → **Chapter 2**, ultimately do not form any of the drivers of the share price. These drivers are rather the strategy and its implementation, which are based on the performance of the management and are reflected in hard figures.

How the answer turns out will depend on the situation of the individual company. A company that can finance its strategy from the operating cash flow and that has one core shareholder who provides protection against takeovers, for example, can definitely ask itself whether the costs of an additional investment in Investor Relations will generate many benefits or whether these funds would be better invested in research or in the sales market.

The situation is different for a company on a steep growth trajectory that will sooner or later require fresh capital, for example for the purposes of acquisitions. Or for a company with a fragmented shareholder base. Or for a firm in a deep slumber that could be roused by an activist investor. All these companies have a strategic interest in an appropriate valuation, meaning one that is as high as possible, and, as a means to an end, in a good reputation on the capital market. Professional Investor Relations can, as presented in this handbook, make a contribution to this, even if its effects account "only" for a couple of percentage points in the market valuation. Added to that is the fact that good Investor Relations will also raise a company's profile, which can have a positive impact on business partners and customers or on the recruitment of talented staff.

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#### **Naive Fallacy About the Value of Investor Relations**

Assume that a company is planning a major acquisition and would have a capital requirement of CHF 100 million in no more than five years, which has to be financed by a capital increase. Also assume that a valuation premium of 5 percent would result from using professional Investor Relations – studies suggest this value as a minimum. The permanent recruitment of two experienced IR employees (say approximately 500,000 p.a.) would pay off in this case. If the capital increase were successful, the company would still have more than CHF 2 million extra in the cash register. And it would additionally be better positioned if it should face a crisis.

---

Investor Relations, understood as part of strategic corporate management and as a focal point of corporate strategy, corporate governance, corporate finance, and corporate communications, manages investors' expectations. The crucial factor for its success is primarily the attitude of the board of directors and the management. The instruments of IR play only a secondary role. A person who knows what makes investors tick and recognizes their role will take their views into appropriate consideration in central issues of the corporate management, for example in the determination of strategy and capital allocation, and manage the communication in a manner tailored to their needs.

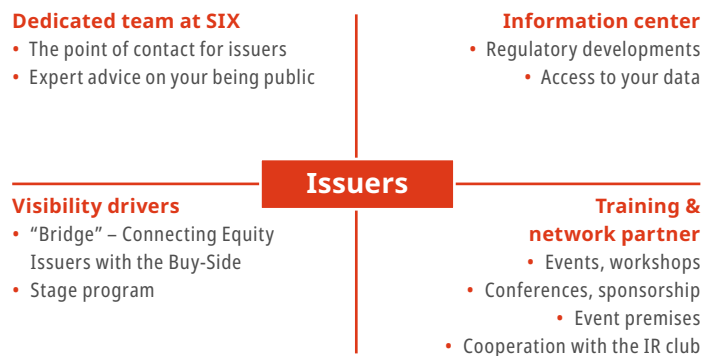
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# Contacts and Addresses



## 12.1 SIX Issuer Relations Team, Primary Markets

The Issuer Relations Team at the Swiss Stock Exchange supports companies with advice on questions relating to their listing. We offer you individual, expert support and customized services. Together, we work for your success.



For more information, see: → [six-group.com/en/products-services/the-swiss-stock-exchange/listing/equities/services-for-issuers.html](https://six-group.com/en/products-services/the-swiss-stock-exchange/listing/equities/services-for-issuers.html)

If you have any suggestions that should be taken into consideration in the next revision of the Investor Relations Handbook, you are very welcome to send them to: → [iir@six-group.com](mailto:iir@six-group.com) or contact us at the phone number +41 58 399 2245.

## 12.2 SIX Exchange Regulation AG

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For additional information please see:  
→ [ser-ag.com/en/contacts.html](https://ser-ag.com/en/contacts.html)

## 12.3 IR club Schweiz

IR club Schweiz was founded in 1992 under the name Schweizerische Investor Relations Vereinigung (SIRV – Swiss Investor Relations Association) with the aim of acting as an advocate for the concerns of the Investor Relations profession as a voluntary special interest group formed by listed companies. The membership comprises companies listed on the Swiss Stock Exchange, where IR club Schweiz is open to all Investor Relations employees of these member firms.

The IR club Schweiz is an (inter)active forum today. Members share experience, tackle and discuss important IR issues to find transparent solutions. Best practice is the path to the goal, accompanied by good contacts enjoyed by the members with investors, asset managers and analysts in Switzerland and abroad.

More information can be found at → [irclub.ch](https://irclub.ch)

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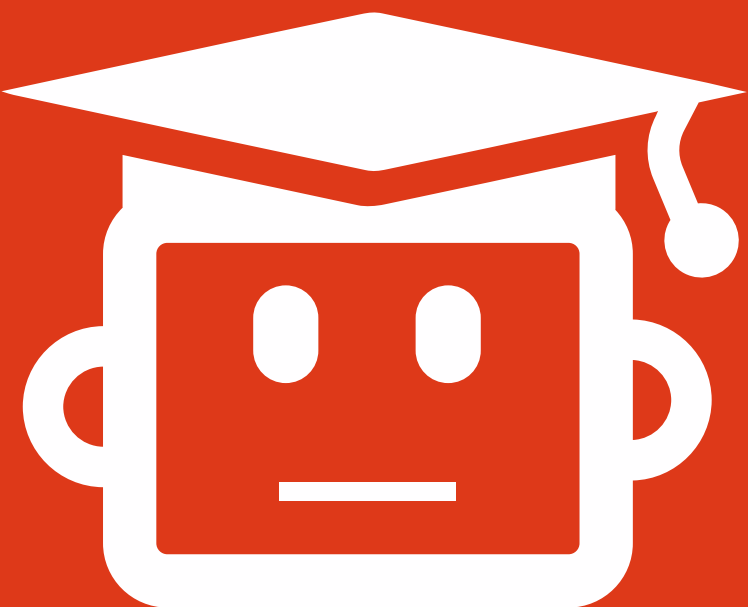
# Index



Activist shareholders	16	IR & Sustainability	3, 132
Ad hoc Publicity	43, 69, 82, 98, 102, 105, 107, 109, 110, 111, 123, 129, 174	Job profile	127, 128
Alternative Performance Measures	104	Listing	8, 11, 67, 80, 81, 100, 119, 129, 173
Analysts	12, 16, 23, 33, 42, 43, 44, 48, 65, 66, 67, 68, 69, 70, 71, 72, 75, 91, 93, 94, 95, 125, 127, 128, 129, 131, 175	M&A	7, 12, 13, 18, 21, 55, 83, 113, 129
Annual and interim reports	74, 80, 81, 127	Management compensation	16, 19, 37, 38
Annual general meeting	23, 38, 51, 61, 74, 83, 85, 107, 127	Management transactions	102, 115, 174
Annual IR plan	22, 23, 24	Market monitoring	89, 128
Bridge	56, 173	Measuring success	87, 89, 90, 91
Buy-side analysts	66	Media releases	14, 74, 81, 82, 84, 114, 128, 129
Communication style	36, 40	MIFID	70, 71, 129
CONNEXOR reporting	107, 108, 122	One-on-one meetings	74, 75, 76, 77, 78, 79, 86
Coronavirus pandemic	3, 76, 77	Organizational chart	126
Corporate governance	8, 16, 19, 35, 37, 38, 54, 63, 80, 81, 83, 85, 105, 106, 171, 180	Pension funds	52, 58, 59, 61, 180
Corporate law	120	Perception studies	92, 93, 94, 95, 129
Corporate reporting	102, 103	Postponement of disclosure	113
Crises	7, 17	Profit warnings	44, 47, 48, 79, 112
Disclosure of shareholdings	102, 116, 123	Pro forma figures	32, 33, 35
Equity story	14, 16, 19, 23, 25, 27, 28, 31, 32, 55	Proxy advisors	38, 51, 61, 63, 83, 85, 180
ESG	13, 20, 31, 32, 37, 38, 51, 54, 66	Qualitative factors	35, 36
Financial guidance	25, 42, 43, 44, 45, 47, 112, 179	Regular reporting	102, 107
Financial reporting	80, 90, 103, 129	Regular reporting obligations	107, 108, 174
FINMA	99, 100, 117, 118, 119	Regulators	99
Insider information	98	Roadshow	11, 19, 23, 38, 55, 63, 75, 76, 77, 78, 86, 91, 93, 127, 128, 129
Institutional investors	7, 11, 16, 20, 23, 30, 38, 51, 52, 58, 61, 74, 78, 83, 85, 91, 93, 94, 125, 129	Rumors versus facts	111
Investment funds	46, 58	SDX Trading AG	99, 100
Investment style	52, 53, 54, 55, 62	Sell-side analysts	66
Investor conferences	22, 23, 74, 77, 128	Shareholder identification	55, 129
Investors in Switzerland	58	SIX Exchange Regulation	39, 99, 100, 107, 109, 112, 113, 115, 117, 118, 122, 174
Investor targeting	51, 54, 55, 76, 127	SIX Repo AG	99, 100
IR conference call/video conference	79	SIX Swiss Exchange	60, 99, 100, 101, 128
IR database	55, 63	Social media	12, 74, 84, 127
IR organization	124	Stock market equivalence	119
IR planning	7, 22	Sustainability reporting	27, 106
IR presentation	23, 31, 32, 78, 81, 86, 91, 127, 128	Swiss Stock Exchange	117
IR strategy	7, 14, 16, 17, 18, 19, 25, 32	Swiss Takeover Board	12
		Takeover bid	12, 13, 14, 15, 16
		Transparency	3, 19, 33, 34, 38, 39, 98
		Types of investors	30
		Website	12, 22, 23, 31, 74, 79, 80, 81, 85, 86, 92, 105, 109, 115, 128, 129

14.0

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The two books by Steven Bragg and Baruch Lev as well as the new "Handbuch Investor Relations und Finanzkommunikation" by Christian Pieter Hoffmann et al. are highly recommended for reading from the list below. They both contain many in-depth analyses and explanations as well as a wealth of practical examples.

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