

# **IPO Insights: SWX Swiss Exchange**

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# Introduction

Obviously, an innumerable number of decisions determine the success of a company. One of those essential decisions is the initial public offering (IPO). While in the past, the decision of where to go public was perhaps a simple one, with the only answer usually being the country in which the company was based. Today, with the continuing growth of globalization and the parallel growth of economic centers around that world, the IPO possibilities have expanded enormously.

One of those possibilities, of course, is the SWX Swiss Exchange Limited. This publication aims at giving the reader an in-depth look at the SWX and should be seen as complementary to the Ernst & Young IPO Insights: Comparison Global Stock Exchanges report, which provides a discussion of the Australian, German, Euronext, Hong Kong, London, United States, Singapore and Tokyo stock exchanges.

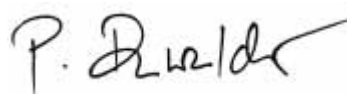
In selecting an exchange a company must consider a broad range of issues, but one essential element is ensuring that the chosen exchange has a clear connection to its business and makes sense to its investors; otherwise the company's valuation will likely be reduced. In order to give you a picture of the SWX, this report discusses a number of factors including the SWX's strategic focus, the profile of its listed companies, its IPO activity, listing standards and fees, as well as the process and timeline of going public along with its regulatory environment.

Only primarily listed securities were considered in the report. We have excluded second lines and secondary listings.

Data on currently listed companies on the SWX were computed on the basis of information available on the exchange's website at [www.swx.com](http://www.swx.com). Market capitalization data were available for all currently listed companies on the SWX and were converted into US dollars using the historical currency exchange rate as of the date that the listed companies' data were collected (28 December 2007). We have used Thomson Financial's industry classifications in the industry analysis of currently listed companies and initial public offerings on the SWX 2002-2007. Data on companies that completed their IPOs between 2002 and 2007 were computed on the basis of information available on the exchange's website. For the purposes of this publication, an IPO is a company's first offering of equity to the public and the first approach to market. We focus on IPOs of operating companies.

While this report clearly focuses on the SWX, it does provide some comparative stock exchange information. However, it makes no evaluative conclusions about any of the exchanges discussed in the study and provides no guidance about the eligibility of any company to list on any of the exchanges covered. The application of listing standards and fees and the IPO process are dependent on a company's specific situation. Admission to any exchange comes at the discretion of the stock exchange organization, and listing standards are subject to change. When evaluating a stock exchange, companies should consult with their business advisors and with the exchange organization directly.

Whether your company is already public or is considering going public, we hope that the insights provided in this report give you a more complete picture of the SWX and how it compares to other leading stock exchanges around the world.



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# I. Stock Market Strategic Focus

The SWX Swiss Exchange Limited is a central link in the value chain of the Swiss financial marketplace. It organizes, operates and regulates key aspects of Switzerland's capital market. The commercial activities of the SWX encompass the following business fields:

- Cash market operations
- Information products
- Development and operation of fully electronic trading platforms
- Admission of securities to listing and trading on the exchange.

The SWX is part of the Cash Market Division of Swiss Financial Market Services. That division also encompasses the London-based international securities exchange, SWX Europe (formerly virt-x) as well as the financial market data vendor EXFEED. The SWX is also engaged in very successful joint ventures with Europe's leading index provider, Stoxx, as well as Swiss Fund Data.

The shares traded on SWX are mainly held in the Swiss-based accounts of domestic and international investors. The SWX is the leading European exchange in terms of public equity when it comes to the market capitalization of listed life science companies. Approximately one third of the total market capitalization at SWX is attributable to the life science sector. This is one reason for which SWX is an attractive listing venue for foreign issuers. The manageable size of the Swiss market – allowing every IPO at the SWX outstanding visibility among investors, analysts and the media – is another great appeal for foreign companies at SWX. Recently, three European biotech companies – BioXell, Newron Pharmaceuticals and Cosmo Pharmaceuticals – went public on SWX by means of cross-border listings. The three companies raised a total of more than US\$ 204 million.

Unlike in other countries, the concrete administration of securities trading is largely entrusted to SWX inasmuch as the Swiss legislation delegates to the exchange broad regulatory competences. This provides special opportunities for SWX to set the course it deems most appropriate, as well as to weigh the interests of the various market participants. The advantages of self-regulation stem from the regulators' closeness to the market, as well as their professional capabilities and efficiency.

## SWX Swiss Exchange Vital Statistics

Number of Listed Companies (2007): 263

Aggregate Market Capitalization (2007): US\$ 1258.9B

IPOs 2002-2007: 40, US\$ 7.5B raised

Top Listed Company (2007): Nestlé, US\$ 178.1B market cap\*

IPOs 2006: 9, US\$ 2.879B raised

Top IPO in 2006: Petroplus Holdings AG, US\$ 2.012B raised

IPOs 2007: 10, US\$ 1.263B raised

Top IPO in 2007: Gottex Fund Management Holdings Ltd, US\$ 0.507B raised

Source: [www.swx.com](http://www.swx.com), E&Y

\* Foreign exchange rate (CHF in US\$) dated at 28.12.2007 was 0.8711 ([www.oanda.com](http://www.oanda.com))

The SWX is subject to Swiss law. The Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act, SESTA) prescribes the concept of self-regulation, which means that the exchange must have an organizational structure of its operations, administration and supervision that is appropriate to its activities, as well as issue regulations for the admission to listing of negotiable securities; therefore, the exchange must take into account internationally recognized standards. The SWX regulations must however be submitted for approval to the Swiss Federal Banking Commission (SFBC) who is the Supervisory Authority of exchanges according to SESTA. In the worldwide exchange competition, SWX claims the Swiss regulatory structure as a key advantage, since companies listing their securities on SWX Swiss Exchange must observe high standards of transparency and corporate governance, but do not have to comply with the costly requirements of the US or EC regulations/regulator.

The SWX has a total of 263 primary listed companies with an aggregated market capitalization of US\$ 1258.9 billion. The primary listed company having the highest market capitalization is Nestlé with US\$ 178.1 billion. From 2002 to 2007 40 Initial public offerings (IPOs) took place, they raised more than US\$ 7.5 billion. Four of them came from abroad, three from Italy and one from Austria. One third of all IPOs came from the Healthcare Sector, mainly from the Biotech industry. The IPO market continued to be very active on the SWX with 10 companies listing in 2007 (versus 9 in 2006) stemming from various sectors like financial services (Gottex Fund Management, VZ Holding), Biotech (Cosmo and Addex) and Technologies (Uster Technologies, Newave, U-Blox). If we consider the size of the offerings, Gottex Fund Management in 2007 and Petroplus in 2006 are on the top of the list by far with US\$ 510 million and US\$ 2.1 billion respectively.

## II. Stock Exchange Profile

### Listed Companies by Industry 2007

A breakdown of SWX's listed companies by industry, both in terms of number of listed companies in a given sector and the aggregate market capitalization of the companies in a given sector is shown in the table below.

### SWX Swiss Exchange Listed Companies by Industry 2007

Sector	No. Listed Companies	% Listings	Market Capitalization* US\$ B	% Market Capitalization
Consumer Products and Services	7	2.7%	\$2.1	0.2%
Consumer Staples	22	8.4%	\$248.2	19.7%
Energy and Power	11	4.2%	\$42.9	3.4%
Financials	72	27.4%	\$332.6	26.4%
Healthcare	28	10.6%	\$340.5	27.0%
High Technology	21	8.0%	\$20.0	1.6%
Industrials	58	22.1%	\$178.5	14.2%
Materials	16	6.1%	\$52.6	4.2%
Media and Entertainment	7	2.7%	\$4.1	0.3%
Real Estate	12	4.6%	\$7.7	0.6%
Retail	8	3.0%	\$8.0	0.6%
Telecommunications	1	0.4%	\$21.8	1.7%
<b>Total</b>	<b>263</b>	<b>100.0%</b>	<b>\$1,258.9</b>	<b>100.0%</b>

\* Market capitalization (free float not adjusted)

Source: www.swx.com, E&Y

### Listed Companies by Country of Domicile

An analysis of the SWX in regard to the corporate domicile of its primary listed companies, providing an indication of geographic concentration or diversity is illustrated in the table below.

### SWX Swiss Exchange 2007

Country	No. Companies	Percent
Switzerland	251	95.4%
Italy	3	1.1%
Liechtenstein	2	0.8%
United States	2	0.8%
Israel	2	0.8%
British Virgin Islands	1	0.4%
Austria	1	0.4%
Guernsey	1	0.4%
<b>Total</b>	<b>263</b>	<b>100.0%</b>

### Exchange IPO Activity by Industry 2002–2007

A review of the IPO activity on the SWX from 2002 to 2007 by industry, both in terms of number of transactions and capital raised, while ranking the industries in terms of number of IPO transactions is shown in the table below. This analysis provides an indication of the exchange's industry strengths in attracting new listings.

### SWX Swiss Exchange IPOs by Industry 2002–2007

IPO Sector	No. of IPOs	% of IPOs	Capital Raised (US\$ B)	% of Capital Raised
Healthcare	12	30.0%	\$0.8	10.1%
Financials	8	20.0%	\$2.2	29.9%
Industrials	7	17.5%	\$1.3	18.0%
High Technology	3	7.5%	\$0.3	4.2%
Consumer Staples	2	5.0%	\$0.2	2.1%
Energy and Power	2	5.0%	\$2.0	26.9%
Materials	2	5.0%	\$0.2	2.5%
Real Estate	2	5.0%	\$0.1	1.7%
Media and Entertainment	1	2.5%	\$0.1	1.0%
Retail	1	2.5%	\$0.3	3.5%
Consumer Products and Services	0	0.0%	\$0.0	0.0%
Telecommunications	0	0.0%	\$0.0	0.0%
<b>Total</b>	<b>40</b>	<b>100.0%</b>	<b>\$7.5</b>	<b>100.0%</b>

### IPOs by Listing Company Country of Domicile 2002–2007

The origin of IPOs on the SWX from 2002 to 2007 by country of corporate domicile can be seen in the table below. While the options of where to conduct an IPO have become global, a look at the geographic origins of the new listings on the Exchange shows that a substantial majority of IPOs are still conducted in their home markets. This majority becomes even higher when considered from a regional level. Few companies list outside their home markets, and even fewer list outside their region.

### SWX Swiss Exchange IPOs by Country of Domicile 2002–2007

Country	No. Companies	Percent
Switzerland	35	87.5%
Italy	3	7.5%
Austria	1	2.5%
Guernsey	1	2.5%
<b>Total</b>	<b>40</b>	<b>100.0%</b>

## III. Stock Market Listing Standards and Fees

The stock exchange listing standards presented below represent a summary, for illustrative purposes only, of the criteria upon which the SWX assesses company applications for admission.

This summary is not intended to provide guidance on the eligibility of any company on the SWX. A company considering listing on any stock market must consult with the exchange directly and with the company's business advisors to determine how listing standards would be applicable in its specific situation. Stock exchange admission is made at the discretion of the exchange organization.

For complete details on the listing standards of the SWX please refer to the following exchange documents:

Exchange	Document	Website
SWX Swiss Exchange	Listing Rules (including Directives, Circulars and Communiqués)	<a href="http://www.swx.com">http://www.swx.com</a>

### Exchange Listing Standards

Stock exchanges generally require that companies meet certain minimum standards – whether financial, operational, or relating to capital structure – to qualify for a listing. The listing standards help to maintain the quality of a given market and ensure that it functions efficiently.

The following provides a side-by-side comparison of the listing requirements of the SWX on the various listing segments.

### Overview SWX Swiss Exchange Listing Requirements

Segment	SWX Main Market*	SWX Local Caps	Investment Comp.	Real Estate Comp.	Collective Inv. Schemes
Requirements					
Accounting Standards	IFRS, US GAAP**	Swiss GAAP FER**	Swiss GAAP FER**	Swiss GAAP FER**	CISA
Interim Reports	half year	half year	half year	half year	half year
Track Record	3 years	2 years	-	-	-
Free Float	25%	20%	25%	25%	25% or market making obligation
Min. Market Cap					
Free Float (CHF)	25 M	5 M	25 M	25 M	25 M
Equity Capital (CHF)	25 M	2.5 M	25 M	25 M	100 M assets

\* Special rules apply to young companies

\*\* And further internationally accepted national standards

### Income, Revenue and/or Profits

SWX does not have listing requirements regarding income, revenue and/or profit.

### Free Float Market Capitalization

Summarized listing standard information is for illustrative purposes only. Criteria definitions may vary. Contact the SWX directly to determine the applicability of a standard to your company.

Exchange	Segment	Standard
SWX Swiss Exchange	All segments (except SWX Local Caps)	Minimum CHF 25 million (US\$ 20.4 M)
	SWX Local Caps	Minimum CHF 5 million (US\$ 2 M)

### Operating History

Summarized listing standard information is for illustrative purposes only. Criteria definitions may vary. Contact the SWX directly to determine the applicability of a standard to your company.

Exchange	Segment	Standard
SWX Swiss Exchange	Main segment	Three years
	SWX Local Caps	Two years
	Investment/ real estate companies	N/A

### Shareholders' Equity

Summarized listing standard information is for illustrative purposes only. Criteria definitions may vary. Contact the SWX directly to determine the applicability of a standard to your company.

Exchange	Segment	Standard
SWX Swiss Exchange	All segments (except SWX Local Caps)	Minimum CHF 25 million (US\$ 20.4 M)
	SWX Local Caps	Minimum CHF 2.5 million (US\$ 4.1 M)

### Number of Shareholders (Free Float)

Summarized listing standard information is for illustrative purposes only. Criteria definitions may vary. Contact the SWX directly to determine the applicability of a standard to your company.

Exchange	Segment	Standard
SWX Swiss Exchange	All segments (except SWX Local Caps)	Minimum 25% shares distributed to the public
	SWX Local Caps	Minimum 20% shares distributed to the public

### Foreign Issuer Requirements Comparison

Summarized information is for illustrative purposes only. Regulatory and exchange requirements may vary depending on a company's specific situation. Companies should consult their business advisors regarding the applicable foreign issuer requirements.

Exchange	Segment	Standard
SWX Swiss Exchange	All segments	Language: German, Italian, French or English. A foreign issuer can use IFRS, US GAAP, and the accounting principles of other countries such as Australia, Brazil, Canada, Japan, New Zealand or South Africa

### Lock-Up Requirements

Initial public offerings usually involve an agreement called a lock-up (or lock-in) that prevents insider shareholders, such as executive management and private equity investors, from selling their public shares for a certain period of time. Ordinarily, lock-up agreements are not stipulated by the exchanges themselves, but are frequently required by the underwriters involved in the IPO (for example, a bank or investment house). Since insiders hold significant blocks of stock, the lock-up protects the offering price by preventing the market from being flooded by insiders cashing out their shares.

Exchange	Segment	Exchange Lock-Up Requirements
SWX Swiss Exchange	All segments	N/A

### Prerequisites for Young Companies

- SWX main market
- Track record (financial statements)  $\geq 1$  year
- Obligation to publish quarterly reports until fulfillment of the 3-year track record
- Further listing requirements: the listing of a young company is only possible if it takes place in conjunction with a placement of equity securities in which at least 50% of the equity securities being placed emanate from a capital increase versus cash payment. The following chart illustrates the requirement in terms of minimum free float market capitalization for a young company to get listed on SWX.



- IPO issue volume  $\geq 25\%$  of market capitalization (= free float) and must be at least CHF 25 M (Art. 17 Listing Rules)

### Equity Market Listing Fees

Stock exchanges charge listing fees using a variety of methods: volume of shares offered, value of shares offered, market capitalization or a flat fee.

### SWX Listing Fees

Summarized listing fee information is for illustrative purposes only. Listing fees may vary. Contact the SWX directly to determine the applicability of a standard to your company.

Exchange	Segment	Listing Fees
SWX Swiss Exchange	All segments	<p>Basic charge: CHF 18,000 (including CHF 3,000 processing of listing application, CHF 5,000 additional charge for the examination of the listing prospectus, CHF 10,000 non-recurring charge for new issuers)</p> <hr/> <p>Variable charge: CHF 10 per CHF million capitalization (US\$ 8.17 per US\$ 0.82M). The maximum charge is CHF 80,000 (US\$ 65,360)</p>

### Annual Exchange Fees

The structure of annual exchange fees largely reflects the pricing levels and schemes employed for the initial listings.

### SWX Annual Listing Fees

Summarized annual fee information is for illustrative purposes only. Annual fees may vary. Contact the SWX directly to determine the applicability of a standard to your company.

Exchange	Sub-Exchange	Annual Fees
Annual Exchange Fees	All segments	<p>Basic charge of CHF 6,000</p> <hr/> <p>A variable charge of CHF 10 per CHF million of capitalization (US\$ 8.17 per US\$ 0.82M). The maximum charge is CHF 50,000 (US\$ 40,850)</p>

## IV. Process and Timeline of Going Public

Because Switzerland is not a member of the EU, the “passporting” of regulated activities under EU legislation is neither available in Switzerland nor necessary.

The country’s lawmakers under the Federal Act on Stock Exchanges and Securities Trading Stock Exchange Act (SESTA) have conferred the power to issue regulations on trading and admission to listing of securities always keeping in mind the principles of transparency and equality of treatment. These regulations are however subject to approval by the Swiss Federal Banking Commission (SFBC) whose supervisory powers over exchanges are granted by SESTA. The SWX is required, when developing regulations and rules for the admission to listing of securities, to take internationally accepted standards (including, but not limited to the EU standards) into consideration. Unlike in the EU or in the US, the SWX not only recognizes one single set of accounting standards for listing securities, but various, namely IFRS, US GAAP, and the accounting principles of other countries such as Australia, Brazil, Canada, Japan, New Zealand or South Africa.

The SWX Admission Board is the body responsible for drawing up rules and regulations governing the listing of securities as well as the obligations of the issuers for maintaining listing on SWX. In this context it carries out various supervisory duties over issuers, which are performed principally by official regulatory agencies in other countries.

Usually the market players see the following advantages to self-regulation:

- Market proximity and acceptance (e.g. possibility to find pragmatic, balanced, cost-efficient solutions that are consistent with internationally recognized standards)
- Avoidance of overregulation
- Ability to respond quickly to changing market demands

The IPO process at SWX works as follows: the issuer represented by a duly “recognized sponsor” according to the Listing Rules files the application for admission to listing to the Admission Board. This sponsor/representative can either be a bank, a law firm or an accounting firm that is recognized by the SWX. The review of the prospectus until its approval by SWX will not take longer than a month provided that the listing request is complete.

# V. Regulatory Environment

## SWX Swiss Exchange IPO Process and Timeline

IPO Milestones	Timeline
Initiate time and process management	
Contact SWX Swiss Exchange	
Make necessary changes within company to meet all legal requirements for the IPO	
Provide regulatory permissions of government and administration	
Establish controlling and reporting preconditions within the company	
Discuss and develop company strategy	
Prepare a business plan	
Prepare financial statements	
Determine a timetable	6-12 months before admission
Kick-off	
Selection of advisors (accountants, law firm, etc.):	
Selection of investment bank	
Planning of the conception of the public offering	
Preparation of the issuance and listing prospectus	
Beauty contest	
Selection of auditors	
Fact book	4-6 months before admission
Preparation of IR activities	
Further preparation of listing prospectus	
Update of interim financial statements	
Establish IPO strategy/equity story	3-4 months before admission
Prepare analysts presentation	
Financial and legal due diligence (2-4 weeks)	
Prepare and publish research coverage	
Apply for admission of shares to listing and trading	
Prepare custody and settlement of shares	2-3 months before admission
Pre-marketing with investors and analysts	
Approval of listing prospectus by SWX, i.e. of the preliminary prospectus (without number of shares and issue price)	
Comfort letter	
Issuance of the preliminary prospectus	1-2 months before admission
Marketing/roadshows	
Analysts presentation	2-4 weeks before admission
Complete investors book building	
Allocation/pricing	
Initial price auction	
IPO event and media coverage on the floor of the SWX	Week of offering

**Regulators: Competent Authorities for Global Exchanges**

Stock Exchange	Competent authority for oversight of market	Description/Function
<b>SWX Swiss Exchange</b>	SWX Swiss Exchange itself	SWX Swiss Exchange itself (self-regulation) but supervised by Swiss Federal Banking Commission (SFBC)
<b>Australian Stock Exchange</b>	Australian Securities and Investments Commission (ASIC)	ASIC is an independent government body that enforces and regulates company and financial services law.
<b>Deutsche Börse</b>	Börsenaufsichtbehörden der Länder (stock exchange supervisory authorities of the federal states) and Federal Financial Services Supervisory Authority (BaFin)	BaFin supervises the four subsidiary companies of Deutsche Börse AG: Clearstream Frankfurt AG, Eurex Clearing AG, Eurex Bonds GmbH and Eurex Repo GmbH. Deutsche Börse AG itself is supervised by BaFin as an issuer of financial instruments that are admitted to trading on an organized market pursuant to §§ 15 ff. and §§ 21 ff. of the Wertpapierhandelsgesetz (securities trading act) and the Wertpapiererwerbs und Übernahmegesetz (German Securities Acquisition and Takeover Act).
<b>Euronext</b>		
<b>France</b>	Proposition de l'Autorité des marchés financiers (AMF)	AMF is a financial institution that oversees the activity of the financial market.
<b>Netherlands</b>	Recognition by the Minister of Finance after advice from the Netherlands Authority for the Financial Markets (AFM).	AFM is the regulatory authority for financial services under the Act on the Supervision of the Securities Trade 1995.
<b>Portugal</b>	Finance Ministry authorizes markets on basis of proposal from Comissão do Mercado de Valores Mobiliários (CMVM) - the latter is responsible for regulation and oversight of markets.	CMVM is an independent public institution responsible for the supervision of securities and stock markets.
<b>Belgium</b>	Commission for Banking Finance and Insurance (CBFA)	CBFA is the sole supervisor of financial institutions responsible for regulation of financial sectors and services.

### Regulators: Competent Authorities for Global Exchanges (continued)

Stock Exchange	Competent authority for oversight of market	Description/Function
<b>Hong Kong Stock Exchange</b>	The Securities and Futures Commission (SFC)	The SFC is a non-governmental entity.
<b>LSE</b>		
<b>Main Board</b>	Entities operating regulated markets are recognized investment exchanges within the meaning of s285 of the Financial Services and Markets Act 2000 and are regulated by the Financial Services Authority	The FSA is an independent body that regulates the securities industry in the UK and serves as the competent authority for listing shares on a UK stock exchange (UKLA) [UKLA stands for UK Listing Authority].
<b>AIM</b>	London Stock Exchange	
<b>NASDAQ</b>	Securities and Exchange Commission (SEC)	The SEC is a government agency established under the Securities and Exchange Act of 1934 and has the responsibility of enforcing securities laws and regulating the security industry.
<b>NYSE</b>		
<b>Singapore Stock Exchange</b>	Ministry of Finance (MOF)	The MOF operates as a part of the government and is responsible for regulating businesses within Singapore's jurisdiction in areas such as company law, accounting standards, and corporate governance principles.
<b>Tokyo Stock Exchange</b>	Financial Supervisory Agency (FSA)	The FSA is a government organization responsible for overseeing the financial industry.

### Corporate Governance Standards for Global Exchanges

Country	Corporate Governance Code	Board Structure	Board Composition	Audit Committee Composition	Remuneration Disclosure	Compliance Provision
<b>Switzerland</b>	<ul style="list-style-type: none"> <li>- Art. 663 b<sup>bis</sup> Code of Obligations (for issuers incorporated in Switzerland)</li> <li>- SWX Corporate Governance Directive</li> <li>- Swiss Code of Best Practice for Corporate Governance (SCBP) of economiesuisse</li> </ul>	Unitary	Not specified	Not specified	<ul style="list-style-type: none"> <li>- Global and individual disclosure of all members of the Board of Directors</li> <li>- Global disclosure of the members of the Executive Board and individual disclosure of the Executive Board member with the highest remuneration</li> </ul>	Comply or explain (with the exception of the requirements under Art. 663 b <sup>bis</sup> Code of Obligations)
<b>Australia</b>	ASX Corporate Governance Council – Principles of Good Corporate Governance & Best Practice Recommendations, March 2003	Unitary	Majority of board to be independent	<ul style="list-style-type: none"> <li>- Only non-executive directors</li> <li>- A majority of independent directors</li> <li>- An independent chairperson who is not chairperson of the board</li> <li>- At least three members</li> </ul>		Comply or explain
<b>Belgium</b>	Corporate Governance Committee – Belgian Corporate Governance Code, December 2004	Unitary	Majority non-executive	All independent non-executive		Comply or explain
<b>France</b>	The Corporate Governance of Listed Corporations: Principles for Corporate Governance (consolidated 1995, 1999 & 2002 AFEP & MEDEF reports), October 2003	Unitary, two-tier (optional)	Between one-third and one-half of board to be independent	Two-thirds independent non-executive directors		Comply or explain

### Corporate Governance Standards for Global Exchanges (continued)

Country	Corporate Governance Code	Board Structure	Board Composition	Audit Committee Composition	Remuneration Disclosure	Compliance Provision
Germany	Cromme Commission Code and Amendments, February 200 /May 2003	Two-tier	Maximum of two former management board/senior management appointed to supervisory board	Committee chair not to be former management board	Management board only	Comply or explain
Hong Kong	Hong Kong Stock Exchange Listing Requirements – Principles of Good Governance, Code Provisions and Recommendations – Best Practices, November 2004	Unitary	At least one-third independent	Non-executive directors only; minimum of three members; majority of independent directors	Disclosure of individual directors' remuneration on a "named" basis	Comply or explain
Japan	Corporation Law and TSE requirements	Unitary (board of auditors required), two-tier (optional)	Not specified	Majority independent	Covered by Japanese disclosure rules	Comply or explain
Netherlands	The Dutch Corporate Governance Code (Tabaksblatt), December 2003	Two-tier	Wholly independent supervisory board (except one)	Maximum of one member not independent		Comply or explain
Portugal	Securities Market Commission Recommendations and Revisions, November 2001/ November 2003	Unitary (board of auditors required)	At least one independent director	Not specified	Not specified	Comply or explain
Singapore	Code of Corporate Governance, March 2001 (Proposed revisions published for consultation, December 2004)	Unitary	At least one-third independent	All non-executive; majority of independent directors	Disclosure of individual director' remuneration on a "named" basis	Comply or explain

## Corporate Governance Standards for Global Exchanges (continued)

Country	Corporate Governance Code	Board Structure	Board Composition	Audit Committee Composition	Remuneration Disclosure	Compliance Provision
UK	LSE Main Board	Unitary	At least half the board (excluding chair) independent for larger companies	All independent non-executive directors	Separate remuneration report	Comply or explain
	AIM	Unitary	The roles of chairman and chief executive should not be exercised by the same individual. A company should have at least two independent non-executive directors.	All independent non-executive directors	The remuneration committee should be made up of at least two independent non-executive directors. It must fulfill provisions for disclosure as set out in the Directors' Remuneration Report Regulations 2002.	The Combined Code does not apply to AIM companies. However, big institutional investors expect the Quoted Companies Alliance Guidelines to be adhered to.
US	Securities Exchange Act of 1934 Sarbanes-Oxley Act of 2002	Unitary	Majority of the members of the board of directors must be independent	Audit committee of at least three members; all must be independent	Covered by US disclosure rules	Comply

## Disclosure of Internal Controls Comparison

Country	Code	Internal Control Disclosure
Switzerland	Art 663b 12 Code of Obligations	<ul style="list-style-type: none"> <li>- Covered by the Code of Obligations, Listing Rules (including Corporate Governance Directive).</li> <li>- A statement regarding an assessment of the business risks has to be included in the notes to the financial statements.</li> <li>- A separate section of the annual report information on the management and control mechanisms at the highest corporate level is required</li> </ul>
Australia	Australian Stock Exchange listing rules	<ul style="list-style-type: none"> <li>- Companies must disclose governance practices and explain for any departure from “best practice” principles.</li> </ul>
Belgium France Germany Portugal	Changes to the EU Company Law Directives 4 and 7.	<ul style="list-style-type: none"> <li>- A corporate governance statement describing the main features of a company’s internal control and risk management systems in relation to its financial reporting processes is required.</li> </ul>
Hong Kong	Stock Exchange of Hong Kong’s Corporate Governance Practices (“The Code”)	<ul style="list-style-type: none"> <li>- Requires a report of the work performed by the committee during the year in discharging its responsibilities regarding the reviews of its system of internal control.</li> <li>- Recommends the disclosure of the directors’ review of the issuing company’s system of internal control and any significant views or proposals put forward by the audit committee.</li> </ul>
Japan	Financial instruments and Exchange Law (applied to business year starting on and after April 1, 2008)	<ul style="list-style-type: none"> <li>- Introducing mandatory management assessment (internal control report) and auditor’s audit of management assessment.</li> </ul>
Netherlands	The Dutch Corporate Governance Code	<ul style="list-style-type: none"> <li>- Listed companies to devote a chapter in the annual report to the broad outline of their corporate governance structure and to compliance with the corporate governance code, as well as the non-application of any “best practice” provisions.</li> </ul>

**Disclosure of Internal Controls Comparison (continued)**

Country	Code	Internal Control Disclosure
Singapore	The Singapore Exchange (SGX) listing manual	– Requires all listed companies to disclose their corporate governance practices in their annual reports with reference to the code and disclose and explain areas of deviation from the code.
UK		
Main Board	Combined Code June 2006	– Corporate governance statement describing main features of company's internal control and risk management systems in relation to their financial reporting processes required as part of company's corporate governance disclosures.
AIM	The Quoted Companies Alliance (QCA) Corporate Governance Guidelines	– The annual report should include a statement of how the board operates, including a high-level statement of which types of decisions are to be taken by the board and which are to be delegated to management.
US	US Congress - The Accounting Industry Reform Act 2002 (Sarbanes-Oxley Act)	<ul style="list-style-type: none"> <li>– Company's annual report must state the responsibility of the management for internal controls</li> <li>– Company's annual report must contain an assessment of the effectiveness of internal control for financial reporting</li> <li>– Auditor to report on the assessment made by the management.</li> </ul>

## Director / Executive / Board Certification / Responsibility Statements

Country	Director / Executive / Board Certification / Responsibility Statements
Switzerland	Although, pursuant to the Code of Obligations, the ultimate responsibility for the preparation of the annual financial statements is with the Board of Directors, no separate public statement of the directors is required.
Australia	Directors required by the Corporation's Act to: <ul style="list-style-type: none"> <li>- State whether, in their opinion, the accounts are true and fair</li> <li>- Give details of any significant after-balance-date events</li> <li>- State whether or not, in their opinion, there are any grounds to believe that the company will be unable to pay its debts as and when they fall due.</li> </ul>
Belgium France Germany Netherlands Portugal	Transparency directive requires persons responsible within the listed company – usually the directors – to state publicly that: <ul style="list-style-type: none"> <li>- To the best of their knowledge, the annual financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the company's consolidated assets, liabilities, financial position, and profit or loss.</li> <li>- The annual management report includes a fair review of the development and performance of the business and the company's position, with a description of the principal risks and uncertainties that it faces (the same wording as used in the new directors' report business review requirements in the Companies' Act 1985).</li> <li>- The half-year management report includes a fair review of the important events that have occurred in the first six months of the financial year and their impact on the financial statements, with a description of the principal risks and uncertainties for the remaining six months (there are additional requirements concerning related parties' transactions).</li> </ul>
Hong Kong	<ul style="list-style-type: none"> <li>- Directors have a legal obligation to prepare statements of accounts that give a true and fair view of the company's financial position at the end of its financial year. Failure to do so is a criminal offense under the Companies Ordinance.</li> <li>- Although the company's statement of accounts is signed by two of the directors, the board of directors has collective responsibility for the company's accounts, as it must be approved by the board of directors.</li> </ul>
Japan	Financial Instruments and Exchange Law (Investment and Service Law) requires the submission to the prime minister of a certification by management of annual reports (including quarterly reports and semi-annual reports).
Singapore	The Companies Act makes it an offense for any person to willfully make or authorize the making of a statement that is false or misleading in any material, particular in relation to any return, report, certificate, balance sheet, or any other document required by the Act. Similarly, officers who, with intent to deceive, make or furnish, or knowingly and willfully authorize or permit the making of any false or misleading statement or reports are guilty of offense (s 402).
UK	<ul style="list-style-type: none"> <li>- Transparency directive responsibility statement</li> <li>- Under UK law, liability for misstatements in a prospectus falls on the issuer and each of the directors. Third-party experts (e.g., auditors) may also be liable for misstatements in portions of the prospectus for which they are responsible.</li> </ul>
US	Sarbanes-Oxley requires the Principal Executive Officer and the Principal Financial Officer to certify that each annual and quarterly report filed with the SEC fully complies with the requirements of the Exchange Act of 1934 and that the report fairly presents, in all material respects, the financial condition of the operations of the issuer.

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