



Areas of focus of the SIX Exchange Regulation

How does the SIX Exchange Regulation investigate the review of the 2017 financial statements?

For the financial year 2017, the SIX Exchange Regulation has indicated its areas of focus for the review of the 2017 financial statements (IFRS, US GAAP, Swiss GAAP FER) and the annual reports for 2017 and 2017/2018.

What exactly are these focus areas and who will be concerned?

Areas of focus for the review of 2017 financial statements (IFRS and US GAAP)

For financial year 2017, SIX Exchange Regulation has indicated three areas for which they intend to check the compliance with the respective IFRS/US GAAP requirements (Note: For financial statements prepared under Swiss GAAP FER, SIX Exchange Regulation has defined different areas for focus, as explained below).

1. Employee benefits (IAS 19)

SIX Exchange Regulation intends to review the completeness, understandability and quality of disclosure information in regard of defined benefit plans under IAS 19. This review will include key financial and actuarial assumptions as well as changes in financial or demographic assumptions by comparing with sensitivity analyses.

2. Disclosure of interests in other entities (IFRS 12)

It also plans to review the appropriateness and relevance of significant judgements and assumptions made with respect to the treatment of interests in other entities (subsidiaries, joint arrangements and associates).

For investment entities, the review will extend to the comprehensibility of disclosures about meeting the definition of an investment entity and the provisions for the consolidation of subsidiaries. Further explanations can be found in the **Financial Reporting Circular** of 13 October 2016, paragraphs 78 and 79.

3. Accounting policies, changes in accounting estimates and errors (IAS 8)

If a company has made changes to its accounting policies, SIX Exchange Regulation will examine whether these result in the financial statements providing more reliable or more relevant information, or whether they have been made as a result of a new or amended IFRS. It will also investigate whether the changes have been applied correctly (retrospectively) and disclosed appropriately. The review by SIX Exchange Regulation will also focus on new IFRS standards that have not (yet) been applied, particularly IFRS 15: Revenues and IFRS 9: Financial Instruments. If these standards need to be applied in the next financial year, SIX Exchange Regulation expects companies to provide an explanation of their qualitative and quantitative effects on the financial statements. Further explanations can be found in the **Financial Reporting Circular** of 13 October 2016, paragraphs 24 to 26.

Areas of focus for the review of 2017 financial statements (Swiss GAAP FER)

For financial statements 2017 prepared under Swiss GAAP FER, SIX Exchange Regulation will check whether accounting policies for acquisitions have been applied consistently in multiple periods. It will review the valuation of acquired net assets, particularly tangible fixed assets and intangible assets, and disclosures in accordance with Swiss GAAP FER 30/14. SIX Exchange Regulation also expects a consistent application of accounting policies with regard to goodwill and related disclosures. Further explanations are provided in the **Financial Reporting Circular** of 13 October 2016, paragraph 94.

Main points of focus for the review of annual reports for 2017 and 2017/2018 and compliance with the Directive on Information relating to Corporate Governance

1. Location of governance information

If the corporate governance report makes reference to other parts of the annual report or to other (external) sources of information, SIX Exchange Regulation will check whether such references are clear and precise, and used sparingly in the sense of clarity. External sources of information to which the corporate governance report refers should also be easy to find and free of charge. For further information, see paragraph numbers 26 and 36 onwards in the SIX Exchange Regulation Guideline regarding the Directive on Information relating to Corporate Governance dated 1 January 2016 (**Guideline DCG**).

2. Rules in the articles of association on the number of external appointments

The corporate governance reports of listed companies which are subject to the Ordinance against Excessive Remuneration must include information about the number of additional external appointments permitted for members of the board of directors and the executive committee. Alternatively, corporate governance reports may refer to the relevant provisions of the articles of association. If such a reference is made, SIX Exchange Regulation will check whether it is sufficiently precise and includes a link to the company's website. Further explanations included in **Guideline DCG**, paragraph numbers 40 onwards.

3. Rules in the articles of association on variable compensation

Listed companies which are subject to the Ordinance against Excessive Remuneration must disclose certain statutory information about variable compensation. Alternatively, these companies are permitted to refer in their corporate report to the relevant provisions of their articles of association. If such a reference is included, SIX Exchange Regulation will check that it is sufficiently precise and includes a link to the company's website. Further explanations included in **Guideline DCG**, paragraph numbers 40 onwards.

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