



AGM Season 2017

Analysis

June 16, 2017



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The analyses with respect to proxy advisor recommendations cover the companies of the SMI Expanded® (50 largest equities of the SIX Swiss Exchange), while the analyses with respect to shareholder votes cast cover the 100 largest companies of the SPI® that held their AGM between July 1, 2016 and June 31, 2017. Sample size may vary due to data availability.

The quantitative findings in this presentation draw on an analysis conducted by researchers at SWIPRA's cooperation partner, the Department of Banking and Finance of the University of Zurich.



I. Key Findings AGM Season 2017

Critical Compensation Items (I)

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- **Shareholders are more critical in all compensation-related AGM items***
 - 14.6% of shareholders (median) rejected the compensation report (12.3% in 2016)
 - 6.3% of shareholders rejected the compensation amounts for management (4.6% in 2016)
 - 3.7% of shareholders rejected elections of compensation committee candidates (1.2% in 2016)

- **The votes of the most controversial AGMs** turned more negative**
 - More than 40% of the shareholders voted against the compensation report (e.g. Sika: 66.5%, Georg Fischer: 55.0% or GAM: 54.2%),
 - More than 24% voted against the compensation amounts for management (e.g. GAM: 64.8%, Credit Suisse: 38.4% or Interroll: 38.0%),
 - More than 16% voted against the election of compensation committee candidates (e.g. GAM: 59.9%, Meyer Burger: 40.4% or Interroll: 39.4%)

- Compensation levels for full-year CEOs lower, shareholder criticism on compensation higher
- Increasing criticism on compensation reports as a result of a, from an investors' perception, (qualitatively) insufficient disclosure
- This development was predictable from the answers given by large international investors in SWIPRA's corporate governance surveys 2015 and 2016.

* Firm without a single anchor shareholder controlling more than 20% of the votes

** The decile of AGMs for each agenda item with the highest level of investors' against votes



I. Key Findings AGM Season 2017

Impact of company size (II)

- **Development of critical shareholder behavior in many instances particularly accentuated in Non-SMI companies**
 - Compensation report was rejected by 16.3% (median) of the investors
 - Candidates for the compensation committee were rejected by 5.8% of the investors
 - In the top decile, more than 43% of the investors voted against the compensation report and more than 20% against the candidates for the compensation committee

 - **Fraction of negative voting recommendations of the largest proxy advisor significantly higher for Non-SMI than for SMI companies**
 - **SMI:** 20.0% of the compensation reports with negative recommendations
17.5% of compensation committee candidates with negative recommendations
 - **Non-SMI:** 47.0% of the compensation reports with negative recommendations
25.8% of compensation committee candidates with negative recommendations
- The reason for this difference is a generally less established communication regarding corporate governance issues between smaller companies and their public shareholders: less transparent disclosure of the smaller companies and a smaller willingness of large shareholders to conduct a company-specific, individual analysis.



I. Key Findings GV Saison 2017

International Perspective (III)

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- **Compensation reports face much higher opposition in Switzerland than in the UK or the US**
 - In the US, only 4.7% of the shareholder voted against the report
 - In the UK, only 3.2% of the shareholder voted against the report
 - The fraction of votes against the compensation report at the most controversial 25% of Swiss AGM's increased to over 20% (2016: 17%), in the US and in UK, this level decreased to below 8% (2016: 10% and 8%)
 - Individual large *international* investors voted against 75% of the compensation reports in Switzerland, in the UK against 47%
 - Individual large *Swiss* investors voted against 50% of the compensation reports in Switzerland, in the UK against 11.1%

- Less engagements between investors and Swiss companies.
- Less standardized compensation reports in Switzerland. BUT: this does not mean that, as a result, the disclosure quality in general is lower than in the US or UK. Importantly, a careful analysis of the information is, however, much more demanding and time consuming.



I. Key Findings AGM Season 2017

Proxy Advisors (IV)

p32 u.a.

- **Many proxy advisors and the public opinion are often much more critical than investors at the annual general meetings**
 - In some cases, more than 20% of all AGM items at SMI companies were recommended to be rejected (more than 16% at Non-SMI companies); at the AGMs, only 1% was rejected.
 - Some proxy advisors recommended to reject the executive compensation amounts in one out of three cases. Only 14.6% (median) of the shareholders voted against the amounts.
 - Some proxy advisors recommended to reject the election of the board's chairman in 12% of the companies. Only 3.2% of the shareholders voted against these elections.
 - If several proxy advisors recommend to vote against an item, they may, however, together influence up to 30% of the votes at an annual general meeting.

- Overall, it seems that the increase in negative recommendations and votes is driven by the public opinion, certain regulatory developments, and fundamentally different viewpoints on certain aspects of corporate governance.
- The generally increasing rate in negative recommendations of proxy advisors raises questions regarding the diligent development of voting recommendations as well as regarding the awareness of the potentially severe consequences of negative voting outcomes at AGMs.



I. Key Findings AGM Season 2017

Board of Directors (v)

p24-31

- **The fraction of female board members on Swiss boards is increasing steadily**
 - Over the past two years, 30% (average) of the newly elected board members were female, 50% thereof were elected to boards of directors of SMI companies
 - Some proxy advisors issue more critical voting recommendations for male board candidates
- **Elections to the compensation committee and as chairman of the board have again become more critical, though on a relatively low level**
 - 3.7% of the shareholders rejected elections to the compensation committee (2016: 1.3%)
 - 3.2% of shareholders rejected the election of the chairman (2016: 1.4%)

- Certain level of self-regulation regarding the fraction of female board members, even without a legally binding quota.
- Investors are increasingly willing to hold individual chairmen or compensation committee members accountable.
- Higher level of critical votes in elections should, despite the low average level, be taken seriously on an individual basis, since they are often a sign of a deeper concern with a company's individual situation and philosophy.

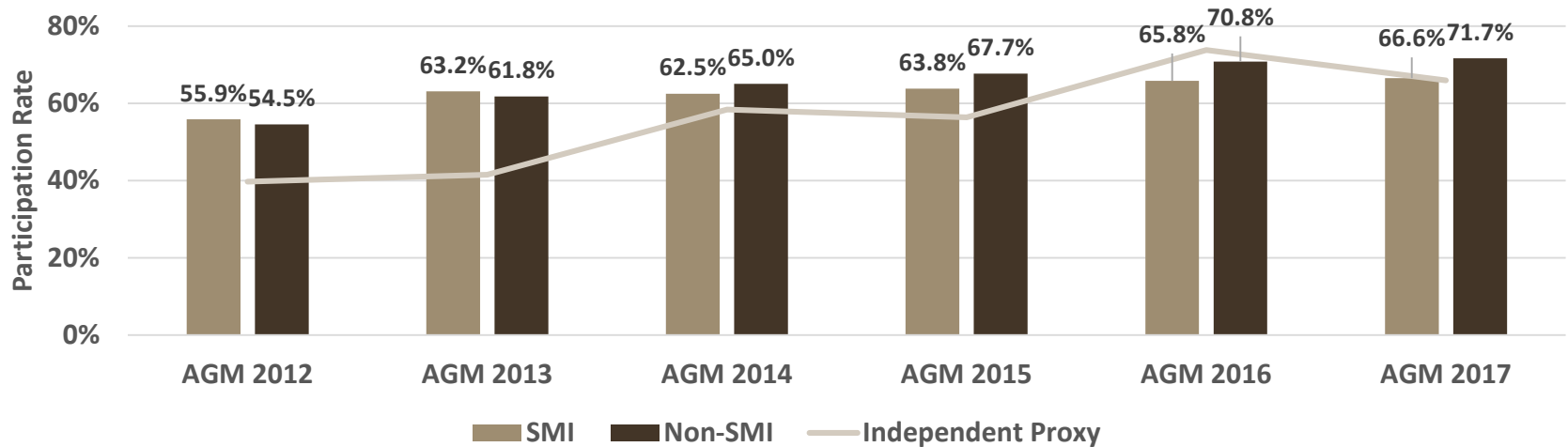


Detailed Analysis



II. AGM Participation Shareholder Voting and Representation

- Shareholder participation increased again slightly in the past AGM season
 - In particular smaller companies increased their shareholder participation over the past years
 - The independent proxy remains a critical institution for shareholder power, representing around 2/3 of shareholder votes at AGMs, meaning that a significant fraction of shareholders generally take their votes ahead of the AGM
- Timely publication of AGM invitation is important to be able to clarify potential issues
- Increasing importance of shareholder engagements *during the year*

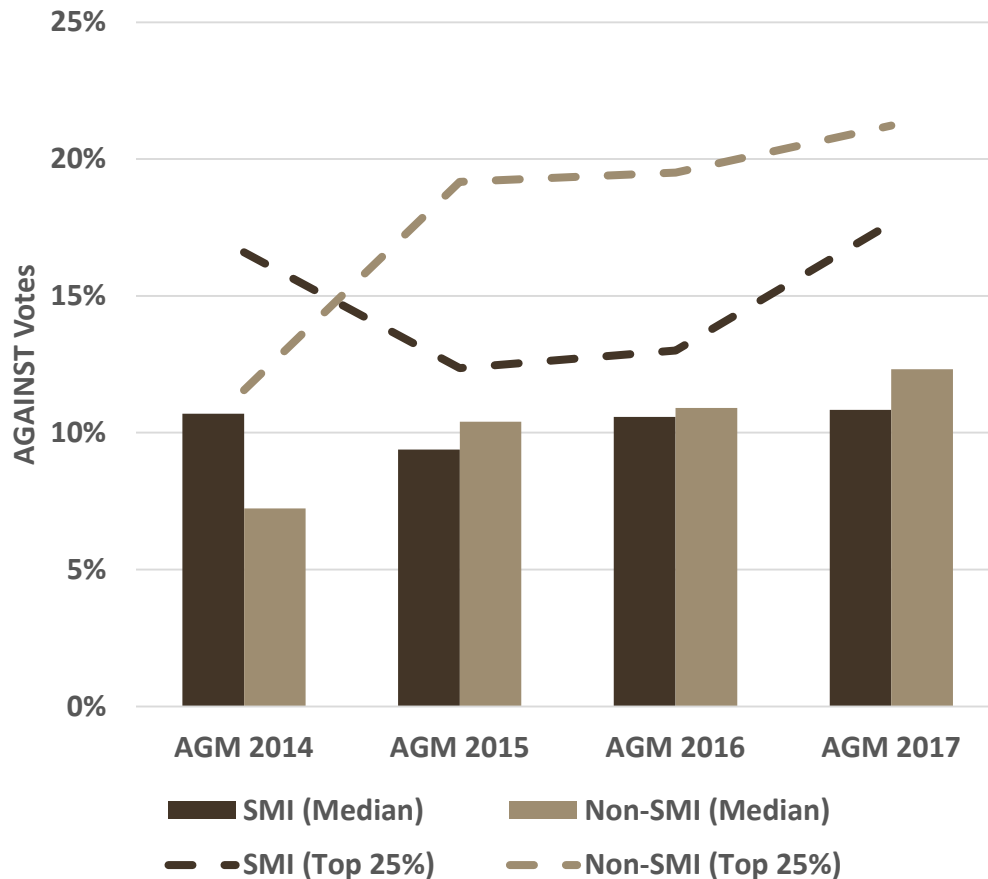


Sample: 100 largest SPI® companies that held their AGM between July 2016 and June 2017.



III. Compensation

Compensation Reports: Votes (I)



- More AGAINST-votes on compensation reports
- Significant opposition at most contested AGMs:
 - 25% of the SMI companies had opposition rates of > 18%
 - 25% of the non-SMI companies had opposition rates of > 22%

➤ Increased opposition to compensation reports in line with SWIPRA Corporate Governance Surveys 2015 and 2016

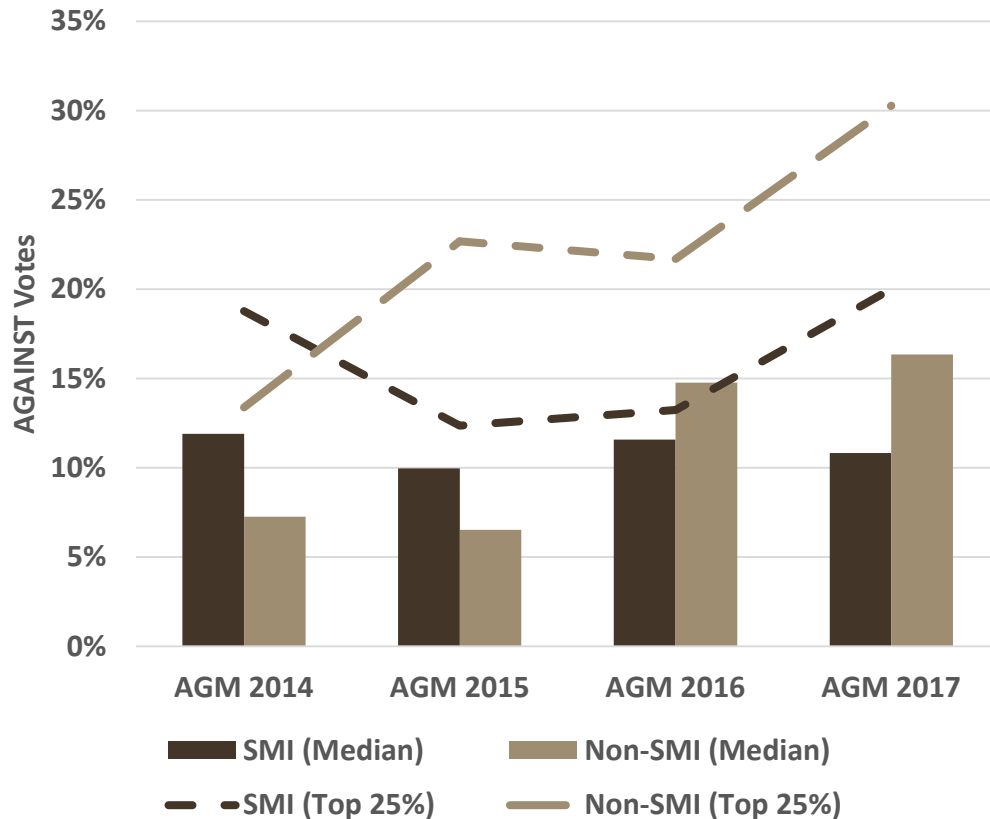
➤ Disclosure and transparency will need to further improve to address this trend

Sample: 100 largest SPI® companies that held their AGM between July 2016 and June 2017
Top 25% refers to the quartile of companies receiving the highest level of AGAINST votes



III. Compensation

Compensation Reports: Votes widely-held firms* (II)



- Level of opposition is significantly higher in companies without an anchor shareholder, particularly in non-SMI companies

- Companies without an anchor shareholder*: important to engage with shareholders and address issues
- Companies with an anchor shareholder: benchmark voting outcomes to widely-held companies

Sample: 100 largest SPI® companies which voluntarily vote on their compensation report and held their AGM between July 2016 and June 2017

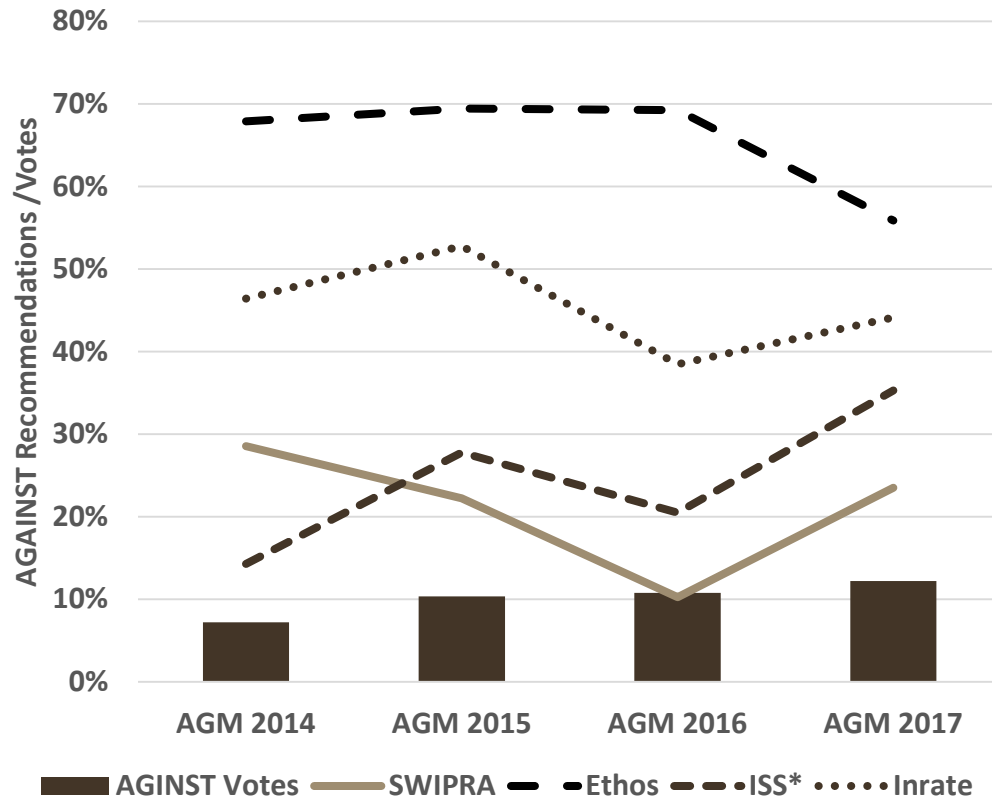
Top 25% refers to the quartile of companies receiving the highest level of AGAINST votes

* Firm without a single anchor shareholder controlling more than 20% of the votes



III. Compensation

Compensation Reports: AGAINST Recommendations (I)



- After a year of decline, AGAINST recommendations of most proxy advisors have again increased sharply at AGMs in 2017
- Shareholders’ AGAINST votes on compensation reports continue to increase

➤ Continued divergence in views on quality of compensation disclosure between issuers and investors

➤ High levels of AGAINST recommendations may reflect disclosure and communication issues on the corporate side, but also “standardized” rules of certain proxy advisors

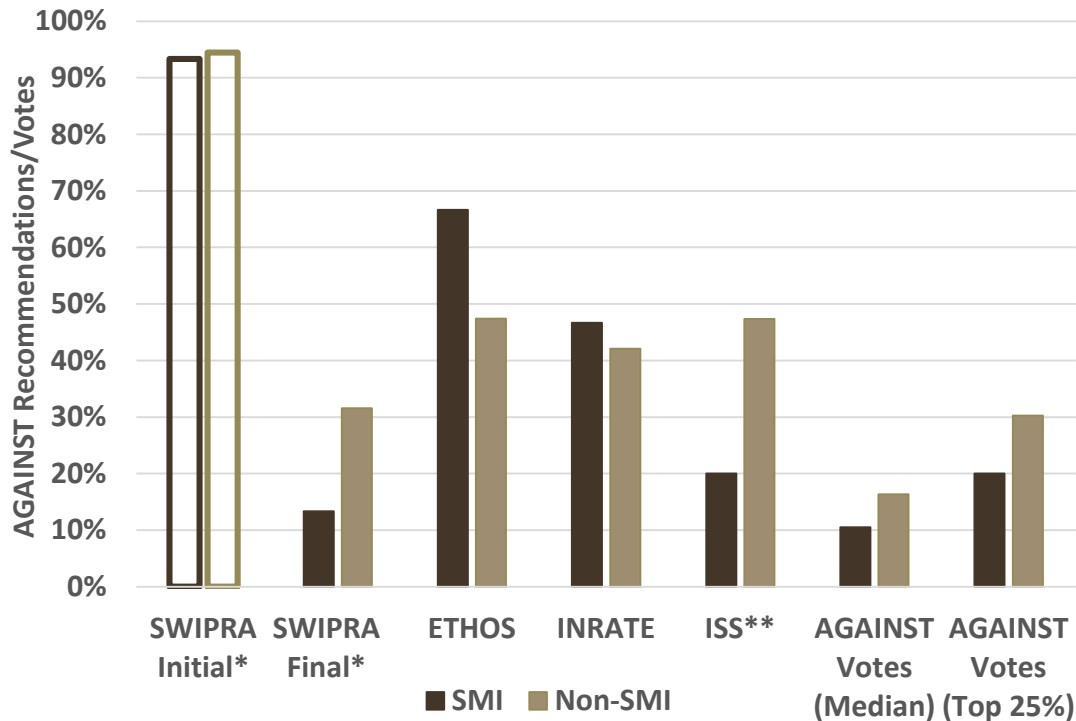
Sample: 50 largest SPI® companies which voluntarily vote on their compensation report and held their AGM between July 2016 and June 2017

* ISS recommendations are not publicly available and are approximated by voting reports of market participants relying on ISS proxy voting guidelines



III. Compensation

Compensation Reports: AGAINST Recommendations (II)



- Recommendations for compensation report votes vary substantially according to company size and proxy advisor

➤ Variation in recommendations between different-sized companies may be due to fewer engagements or a lower level of readiness to respond to shareholders and is reflected in the voting outcomes

Sample: 50 largest SPI® companies with AGM between July 2016 and June 2017

AGAINST Votes are votes cast by shareholders in widely-held firms (see Slide 9)

Top 25% refers to the top quartile with most AGAINST votes

* As part of the SWIPRA process, items initially classified as critical (“SWIPRA Initial”) are discussed with the company. Thereafter, SWIPRA will publish a final FOR or AGAINST recommendation (“SWIPRA Final”) and disclose the additional information obtained in the engagement

** ISS recommendations are not publicly available and are approximated by voting reports of market participants relying on ISS proxy voting guidelines



III. Compensation

Compensation Reports: Critical Votes

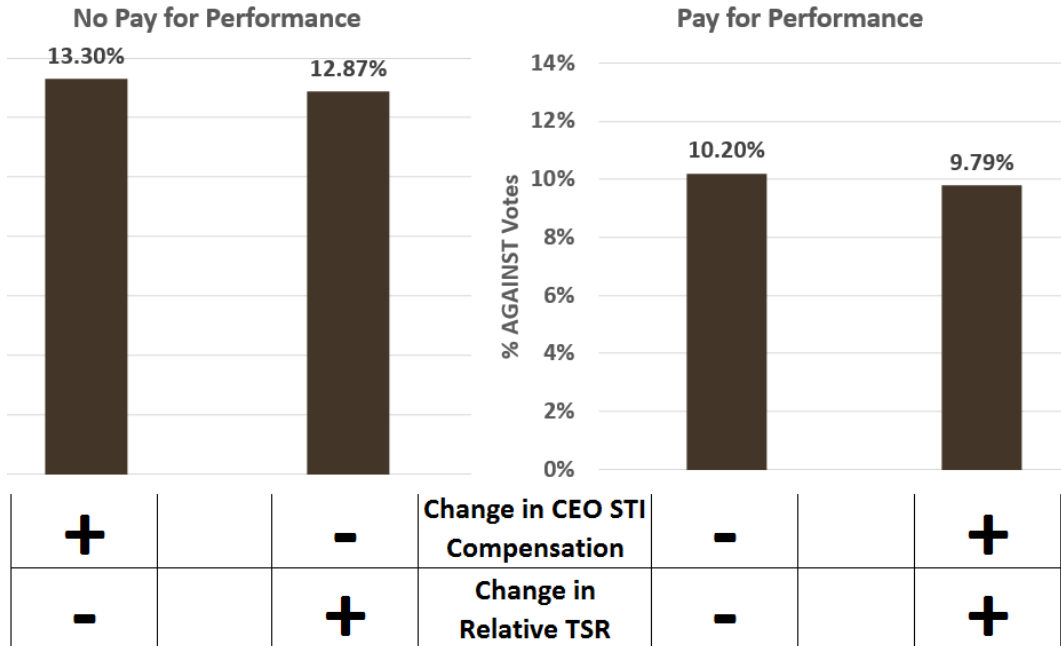
AGAINST Votes	Company	AGAINST Votes (adjusted)
66.5%	Sika AG	28.6%
55.0%	Georg Fischer AG	n/a
54.2%	GAM Holding AG	n/a
43.8%	Meyer Burger Technology AG	n/a
40.9%	ABB Ltd	48.2%
40.0%	Credit Suisse Group AG	48.8%
38.4%	Burckhardt Compression Holding AG	43.8%
36.8%	Novartis AG	n/a
31.2%	Ascom Holding AG	n/a
31.0%	Valora Holding AG	38.0%
30.3%	Partners Group Holding AG	45.0%

The analyzed sample contains observations for the 100 largest SPI® companies

AGAINST Votes (adjusted) reflect an adjusted voting outcome if the company's largest shareholder holding more than 20% of the voting rights (but also taking into account shareholder pools linked to board representations which not necessarily form a pool formally) is excluded, assuming that the company's largest shareholders supported the motions of the board of directors



III. Compensation Compensation Reports: P4P Considerations*



- Pay for performance is an important factor in the shareholders’ assessment of compensation reports: AGAINST votes are about 25% lower if pay and performance are aligned
- Similar pattern applies to votes on compensation amounts for executives

➤ Missing pay for performance is not the only reason to vote AGAINST: high opposition levels (11.9% and 13.7%) even in cases where pay and performance are aligned

Sample: 100 largest SPI® companies with AGM between July 2014 and June 2017 (extended to three year period due to limited sample size)

* Approximated by the relative total shareholder return (TSR) measure

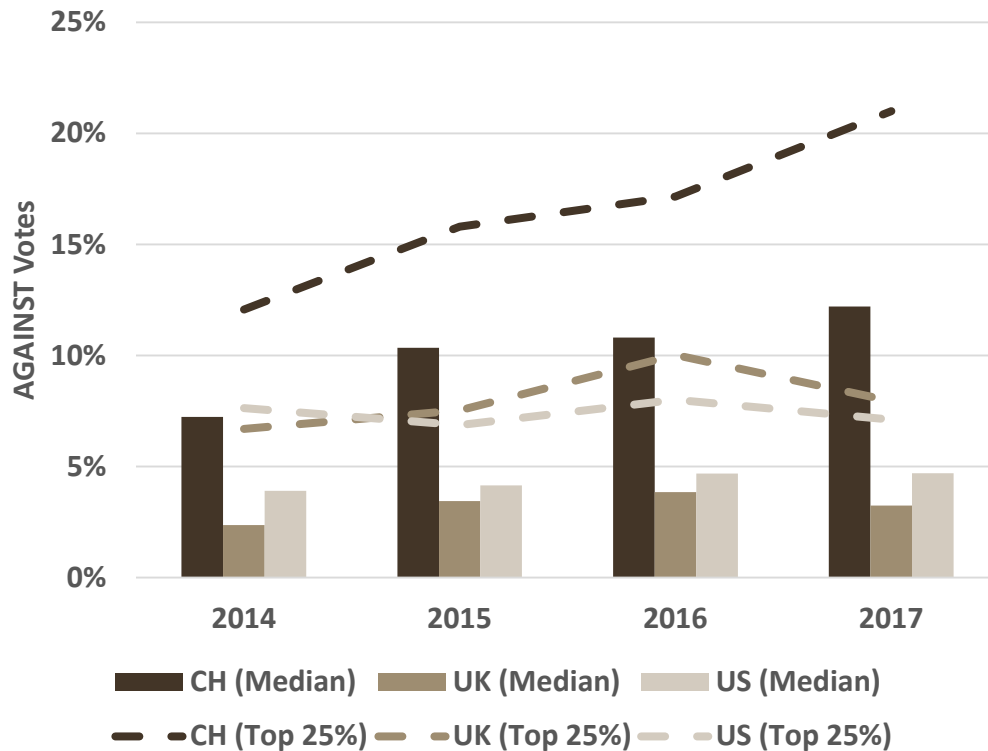
Change in CEO STI Compensation is the change in amount of short-term performance compensation from financial year 2015 to financial year 2016

Change in TSR is measured as share price development plus payout to shareholders over the year, relative to industry, and compared between financial year 2015 and financial year 2016



III. Compensation

Compensation Reports: International Perspective



- Compensation reports face much higher opposition in Switzerland than in the UK or the US
- Difficult to reconcile as many of the largest shareholders are active in both of these markets

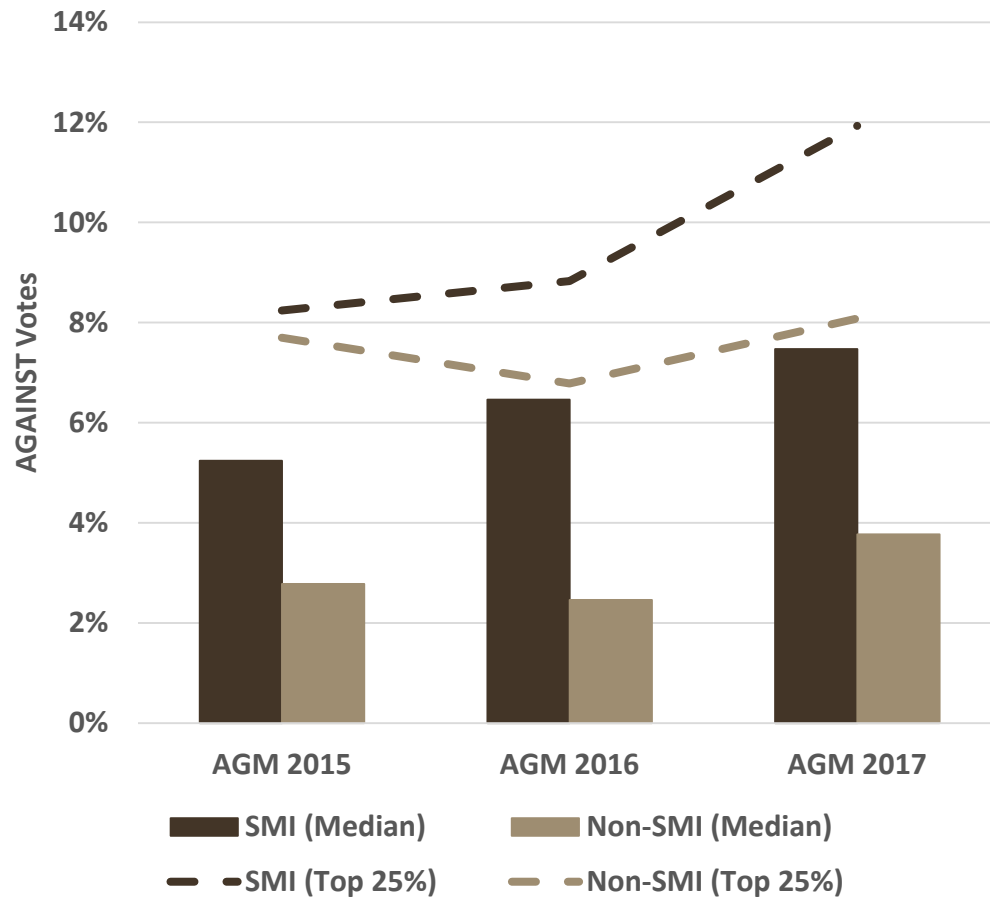
➤ Higher level of against votes in Switzerland may be a result of a less standardized reporting (≠ better quality reporting in the US/UK!) or fewer engagements between investors and companies

Sample: AGM during a calendar year of the 100 largest SPI® companies, companies of the FTSE 100 for UK as well as of the S&P 500 for the US



III. Compensation

Executive Compensation Amounts: Votes



- Higher overall opposition and, for the first time, a rejection of an STI amount in a binding vote
- Most contested SMI AGMs with AGAINST votes of > 12%

➤ Trend towards broader opposition in line with findings of SWIPRA Corporate Governance Surveys 2015 & 2016

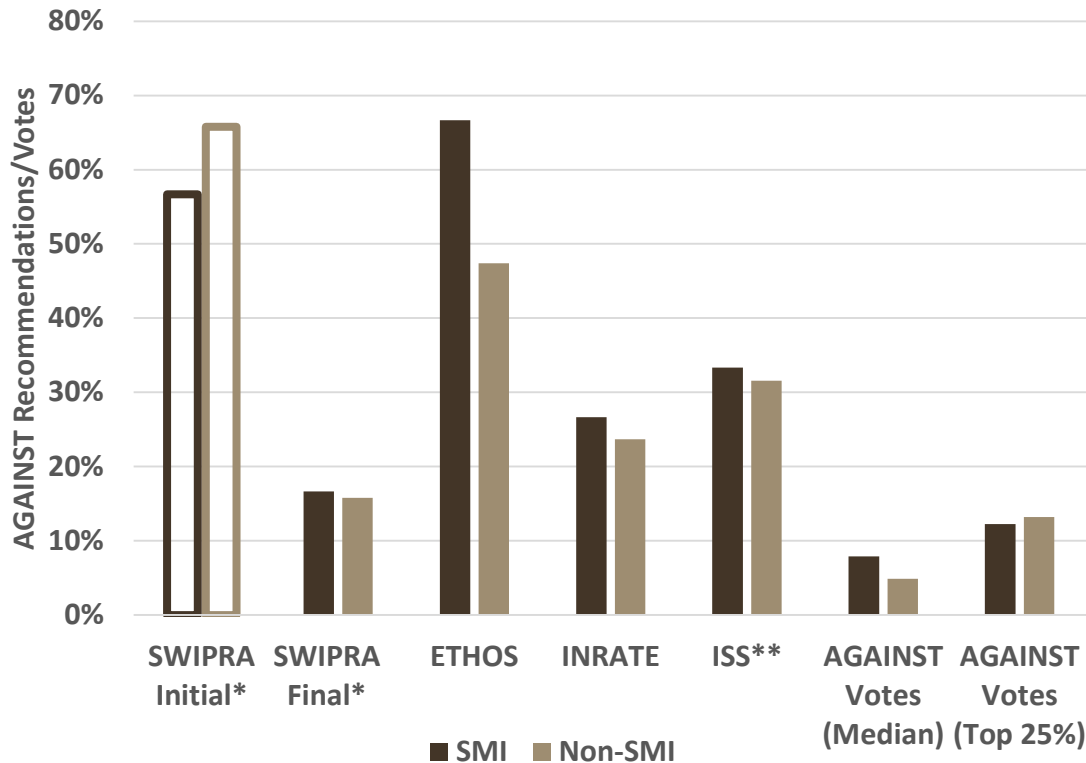
➤ Despite AGAINST votes remaining low for the median company, opposition turned into a major issue for various individual companies

Sample: 100 largest SPI® companies with AGM between July 2016 and June 2017
Top 25% refers to the quartile of companies receiving the highest level of AGAINST votes



III. Compensation

Executive Compensation Amounts: AGAINST Recommendations



- Recommendations not as critical as for compensation reports, but reached a substantial level
- Reluctance to recommend / vote against a compensation amount fading

- Important gap between public opinion / view of some proxy advisors and shareholder votes
- Proxy advisor awareness to the potentially severe consequences of high levels of AGAINST recommendations is questionable, in particular in cases without an engagement

Sample: 50 largest SPI® companies with AGM between July 2016 and June 2017
 AGAINST Votes are votes cast by shareholders in widely-held firms (see Slide 9)
 Top 25% refers to the highest quartile of AGAINST votes

* As part of the SWIPRA process, items initially classified as critical (“SWIPRA Initial”) are discussed with the company. Thereafter, SWIPRA will publish a final FOR or AGAINST recommendation (“SWIPRA Final”) and disclose the additional information obtained in the engagement

* ISS recommendations are not publicly available and are approximated by voting reports of market participants relying on ISS proxy voting guidelines



III. Compensation

Compensation Amounts: Critical Votes

AGAINST Votes	Company	Item (Detail)	AGAINST Votes adjusted
64.8%	GAM Holding AG	Remuneration amount Executive	n/a
38.4%	Credit Suisse Group AG	Remuneration amount Executive	46.8%
38.0%	Interroll Holding AG	Remuneration amount Executive	n/a
37.7%	ABB Ltd	Remuneration amount Executive	44.5%
65.8%	Sika AG	Remuneration amount Board	27.2%
65.8%	Sika AG	Remuneration amount Board	27.2%
65.8%	Sika AG	Remuneration amount Board	27.2%
33.8%	Meyer Burger Technology AG	Remuneration amount Board	n/a

The analyzed sample contains observations for the 100 largest SPI® companies

AGAINST Votes (adjusted) reflect an adjusted voting outcome if the company's largest shareholder holding more than 20% of the voting rights (but also taking into account shareholder pools linked to board representations which not necessarily form a pool formally) is excluded, assuming that the company's largest shareholders supported the motions of the board of directors



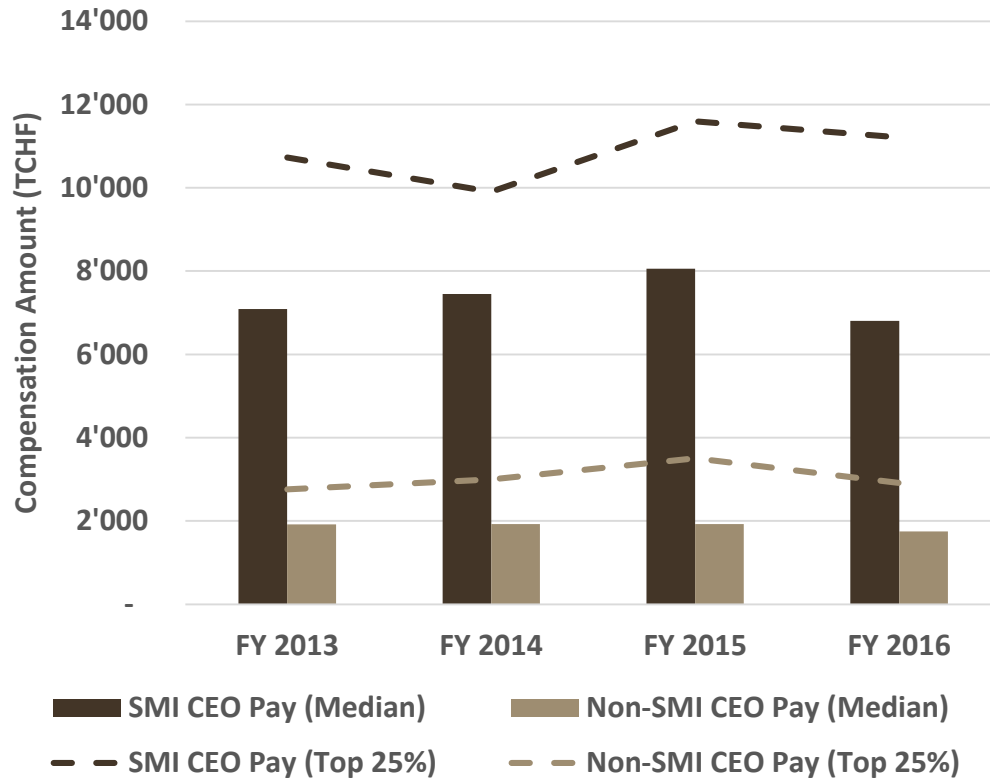
III. Compensation

Observation Compensation Reports and Amounts

- **Lower opposition to compensation reports of SMI vis-a-vis non-SMI companies:** SMI-compensation systems and related disclosure may be better aligned with investors' philosophies, but may also be linked to
 - Lower level of disclosure quality of Non-SMI vs. SMI companies,
 - Less engagement (opportunities) between companies, shareholders and proxy advisors,
 - Therefore, generally higher influence of "tick-the-box"-approaches at Non-SMI companies
- **Higher opposition to compensation amounts at SMI vis-à-vis non-SMI companies:** Investors may be increasingly concerned with absolute compensation levels, independently of how the compensation is structured.
- **Significant difference between SWIPRA's initial and final recommendations:** Interactions with companies are important, taking into consideration also developments over time rather than only enforcing changes at next AGM
- **Substantial gap** between public perception / certain proxy advisors' view and the way shareholders voted.



III. Compensation Compensation Levels



- Median and top pay levels for CEOs lower than 2016, and in line with earlier years

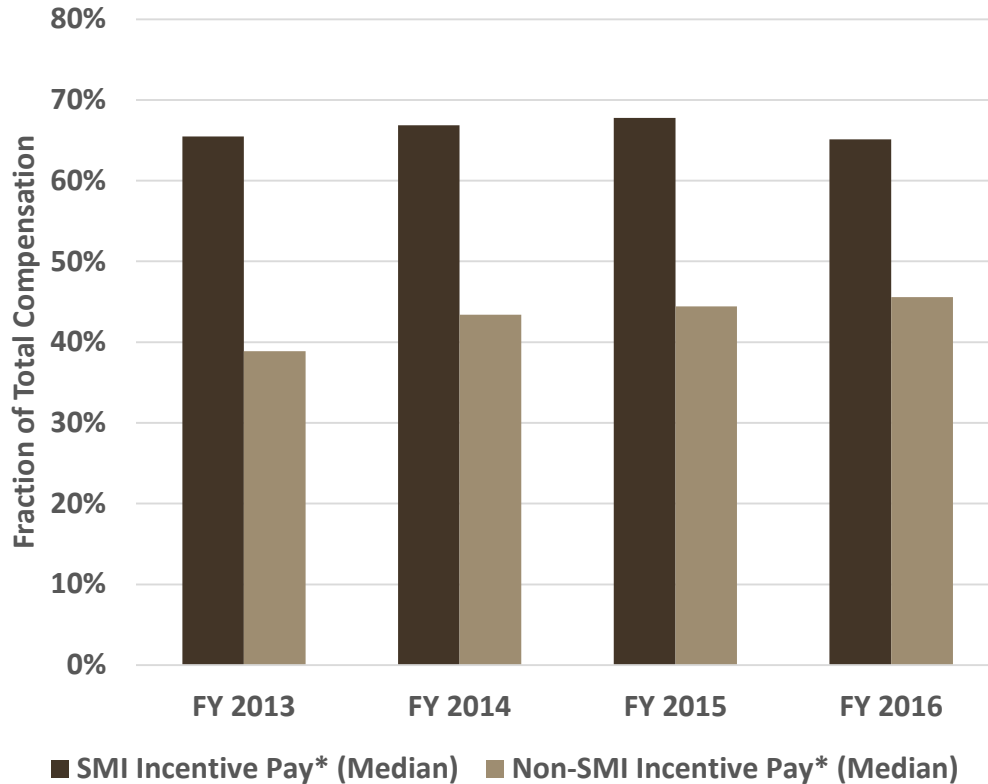
➤ The steep increase in critical compensation votes and the negative public perception stand against overall decreasing levels of CEO compensation

Sample: CEOs of the 100 largest SPI® companies that served for the full financial year 2016
Top 25% refers to the quartile of companies receiving the highest level of AGAINST votes



III. Compensation

Compensation Levels: Performance-related



- Fraction of performance-related pay almost unchanged (SMI) or slightly increased (Non-SMI)
- A significant portion of a CEO's actual pay (particularly LTIs) depends on the company's performance; disclosed pay level \neq income

- High level of performance-related compensation requires a meaningful disclosure, particularly regarding pay for performance
- There is more to compensation amounts than just a single topline number
- Total compensation levels are not comparable and need to be assessed according to the compensation systems and the valuation method

Sample: CEOs of the 100 largest SPI[®] companies that served for the full year

* Incentive Pay refers to the fraction of total pay that depends on the company's performance

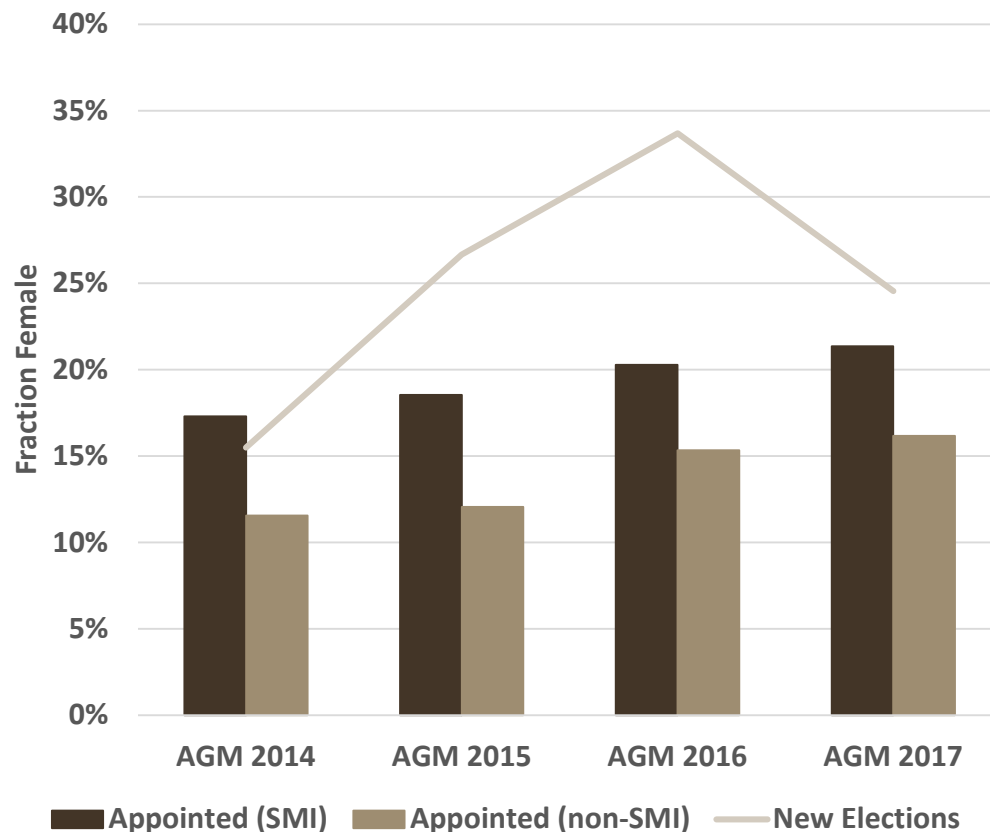


III. Compensation Summary

- Compensation levels almost unchanged relative to 2016, while shareholder **opposition increased** for all compensation-related agenda items.
- The higher level of AGAINST votes on compensation reports is arguably driven by investors' perception of an insufficient level (quality) of disclosure (cf. SWIPRA Corporate Governance Surveys 2015/2016).
- Critical votes on compensation amounts are not only explained by pay for performance considerations, but are also to a large extent driven by the absolute pay levels.
- Major international investors controlling a significant fraction of shareholder votes in Switzerland seem to vote more negatively in Switzerland than abroad.
- Opposition may be a result of a change in public opinion / regulatory pressure rather than a fundamental changes or issues.



IV. Board of Directors – Elections (I) Gender Diversity



- 17.7% of all appointed directors in 2017 were female (2016: 16.7%)
- 24.6% of the newly elected directors in 2017 were female (2016: 33.7%), whereof 50% were appointed at the 20 companies of the SMI

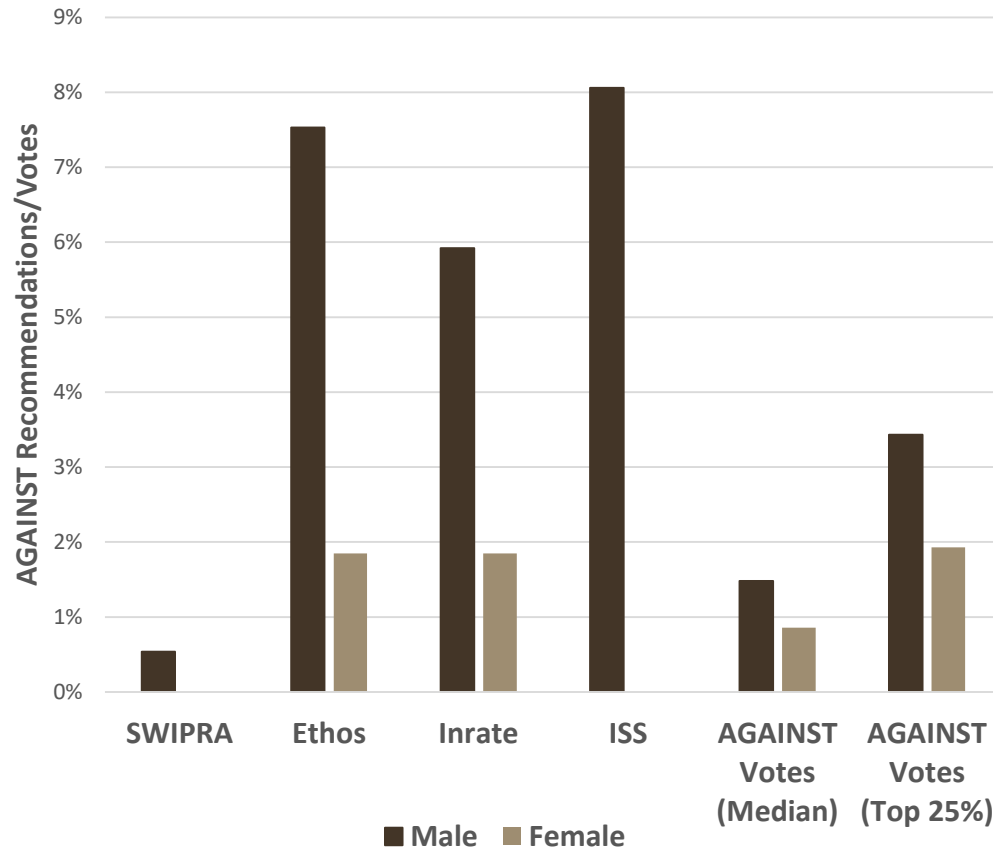
Sample: 100 largest SPI® companies with AGM between July 2016 and June 2017

Appointed considers all elections to the board of directors

New Elections only considers directors that were proposed to serve on a company's board for the first time



IV. Board of Directors – Elections (II) Gender Diversity - Recommendations



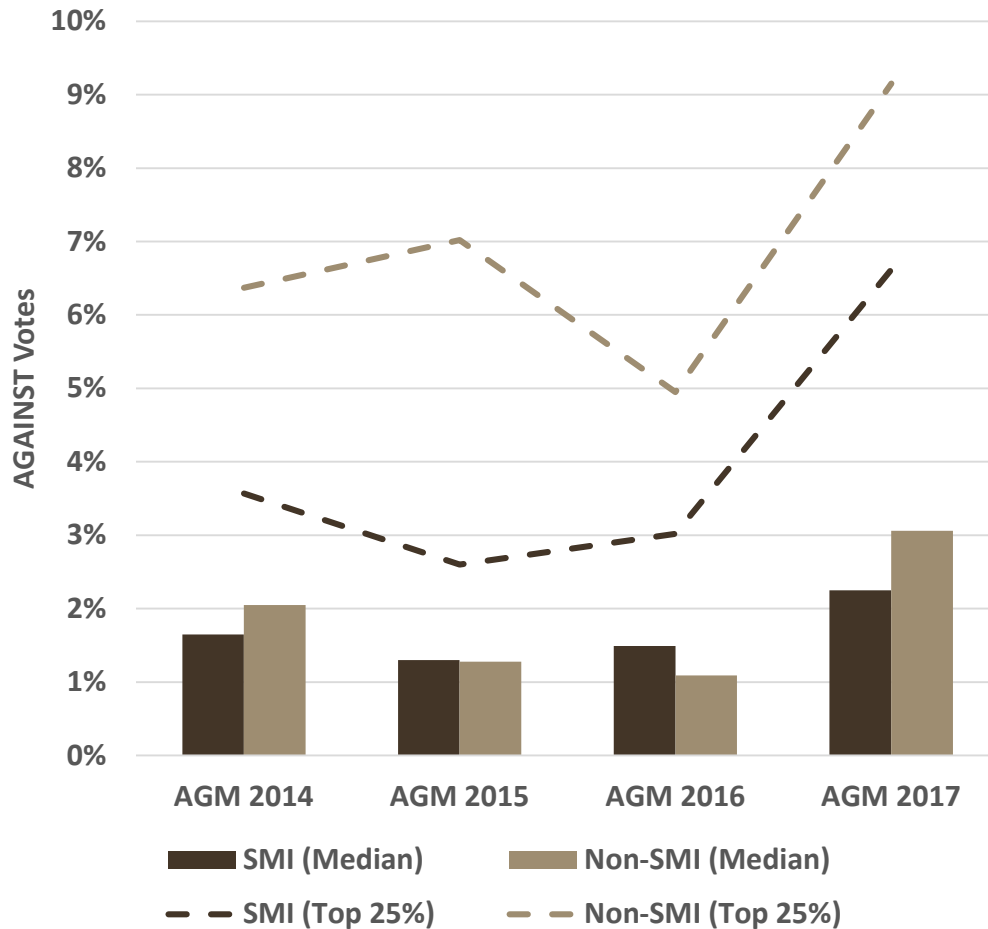
- Most proxy advisors issue significantly more critical voting recommendations with respect to elections of male directors

- Not clear how large gender gap in recommendations can be explained; observable common board member selection criteria do not seem to vary significantly
- Voting outcomes suggest that market is to some extent “self-regulating” by voting more favorable for female directors

Sample: 50 largest SPI® companies which voluntarily voted on their compensation reports at AGM's between July 2016 and June 2017



IV. Board of Directors – Elections (III) Compensation Committee



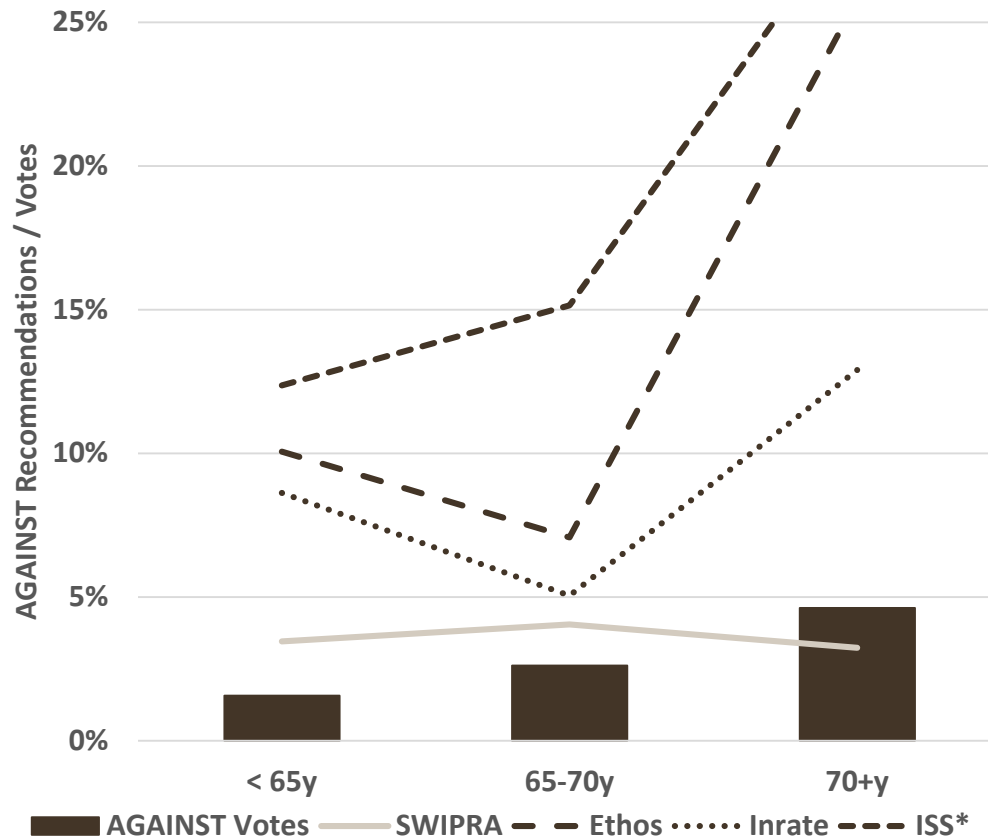
- Elections to compensation committee largely uncontested, but with a significant increase in AGAINST votes, particularly in non-SMI companies
- There is a trend to increasingly hold compensation committee members responsible for their decisions (as predicted by the SWIPRA Corporate Governance Survey 2016)

➤ Increase in AGAINST votes should be taken seriously despite the low level as it arguably is a sign of a much deeper concern with a company's compensation system and philosophy

Sample: 100 largest SPI® companies with AGM between July 2016 and June 2017
Top 25% refers to the quartile of companies receiving the highest level of AGAINST votes



IV. Board of Directors – Elections (IV) Voting Recommendations: Age Limitation



- Most proxy advisors issued significantly more AGAINST recommendations for directors crossing the age of 70
- These recommendations are only reflected to a minor extent in the ultimate voting outcome

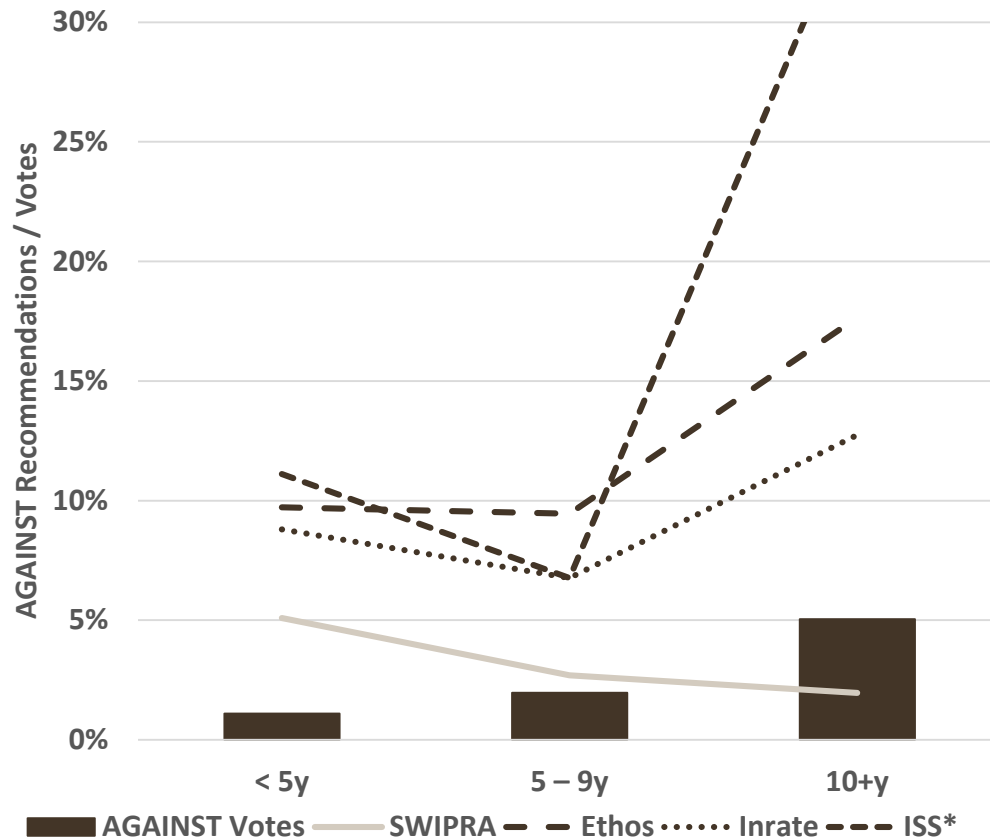
➤ The significant increase of AGAINST recommendations for board members above 70 is difficult to reconcile objectively and arguably a consequence of a rule-based assessment

Sample: 50 largest SPI® companies which voluntarily voted on their compensation report at AGM's between July 2016 and June 2017

* ISS recommendations are not publicly available and are approximated by voting reports of market participants relying on ISS proxy voting guidelines



IV. Board of Directors – Elections (v) Voting Recommendations: Tenure Limitation



- Most proxy advisors issue significantly more AGAINST recommendations for directors appointed 10+ years
- Significant increase at ISS driven by non-SMI firms (AGAINST recommendations in 52.5% of the elections)
- Voting outcomes reflect these recommendations only to a minor extent

- No empirical evidence that long-tenured directors impair independent judgment of boards in general
- Voting pattern arguably a consequence of a rule-based assessment

Sample: 50 largest SPI® companies which voluntarily voted on their compensation report at AGM's between July 2016 and June 2017

* ISS recommendations are not publicly available and are approximated by voting reports of market participants relying on ISS proxy voting guidelines



IV. Board of Directors – Elections (VI)

Board Elections: Critical Votes

AGAINST Votes	Company	Item (Detail)	AGAINST Votes adjusted excl. Largest Shareholder(s)
40.7%	Interroll Holding AG	Re-Election of Board	n/a
39.7%	Meyer Burger Technology AG	Re-Election of Board	n/a
36.0%	Swiss Prime Site AG	Re-Election of Board	n/a
35.4%	Meyer Burger Technology AG	Re-Election of Board	n/a
33.7%	Swiss Prime Site AG	Re-Election of Board	n/a
32.8%	Swiss Prime Site AG	Re-Election of Board	n/a
32.1%	Swiss Prime Site AG	Re-Election of Board	n/a
31.6%	SGS AG	Re-Election of Board	46.0%
31.3%	SGS AG	Re-Election of Board	45.6%
31.1%	SGS AG	Re-Election of Board	45.4%
30.9%	SGS AG	Re-Election of Board	45.1%
30.3%	SGS AG	Re-Election of Board	44.2%
31.9%	SGS AG	Re-Election of Chairman	46.6%

The analyzed sample contains observations for the 100 largest SPI® companies

AGAINST Votes (adjusted) reflect an adjusted voting outcome if the company's largest shareholder holding more than 20% of the voting rights (but also taking into account shareholder pools linked to board representations which not necessarily form a pool formally) is excluded, assuming that the company's largest shareholders supported the motions of the board of directors



IV. Board of Directors – Elections (VII)

Compensation Committee Elections: Critical Votes

AGAINST Votes	Company	Item (Detail)	AGAINST Votes adjusted excl. Controlling Shareholder
50.9%	GAM Holding AG	Re-Election of Remuneration/Compensation Committee	n/a
40.4%	Meyer Burger Technology AG	Re-Election of Remuneration/Compensation Committee	n/a
39.4%	Interroll Holding AG	Re-Election of Remuneration/Compensation Committee	43.6%
37.8%	Swiss Prime Site AG	Re-Election of Remuneration/Compensation Committee	n/a
34.5%	Partners Group Holding AG	Re-Election of Remuneration/Compensation Committee	51.2%
33.6%	Komax Holding AG	Re-Election of Remuneration/Compensation Committee	n/a
30.6%	SGS AG	Re-Election of Remuneration/Compensation Committee	44.6%

The analyzed sample contains observations for the 100 largest SPI® companies

AGAINST Votes (adjusted) reflect an adjusted voting outcome if the company's largest shareholder holding more than 20% of the voting rights (but also taking into account shareholder pools linked to board representations which not necessarily form a pool formally) is excluded, assuming that the company's largest shareholders supported the motions of the board of directors



IV. Board of Directors

Main observations

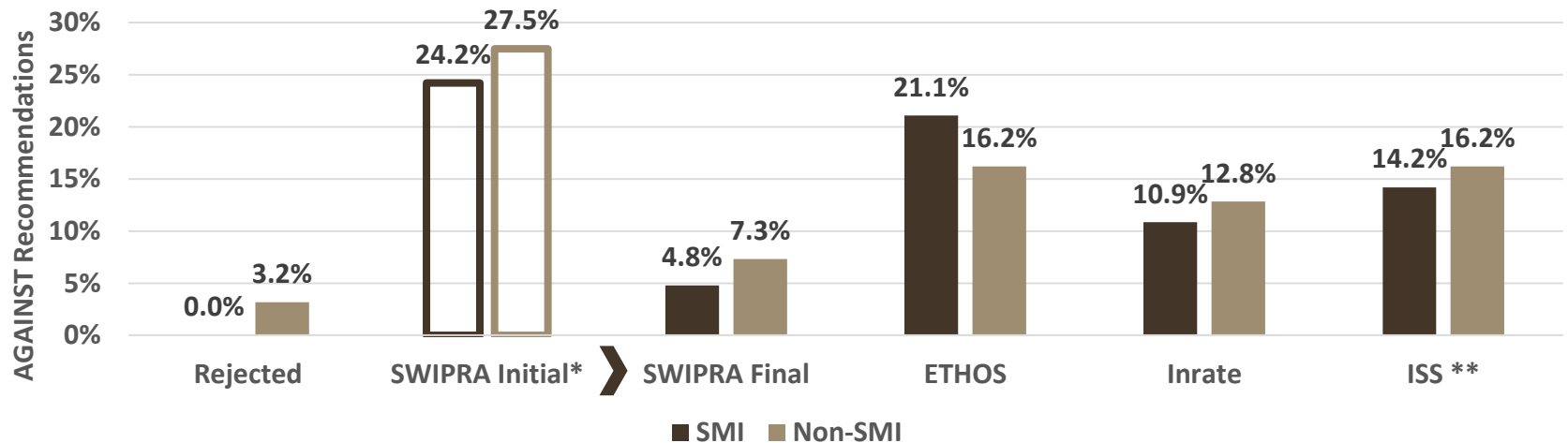
- Rule-based director assessments
 - Voting recommendations of many proxy advisors still seem to follow certain threshold rules, particularly with regard to director age, tenure or gender.
 - Voting behavior of investors has so far been more differentiated with respect to these threshold rules, indicating that investors tend to have a lot of trust in their boards.
- Exposure of specific board roles
 - Investors hold chairmen and compensation committee members increasingly accountable for issues related to corporate governance such as general management of the company or perceived compensation-related shortcomings.
 - Real consequences of the (high level of) AGAINST recommendations could be severe should recommended voting outcome materialize.
- Gender quota: self-regulation
 - Increase in female board members suggests a certain level of market self-regulation.
- Importance of engagements and dialogue
 - Board composition and director selection are important topics for investors and generally need an explanation that goes beyond the information disclosed in governance reports.



V. Proxy Advisors Overall Voting Recommendations

- SWIPRA's initial analysis was more critical than recommendations from its peers. An interaction with issuers helped to clarify many of the critical items or to accept the current situation for future follow up and governance improvements over time

➤ The SWIPRA process continues to perform as intended, providing a high level of transparency vis-a-vis the shareholder



The analyzed sample contains 45 observations for companies of the SMI Expanded® Index with AGM between July 2015 and May 2016

Rejected are agenda items that were turned down by the shareholder vote

* As part of the SWIPRA process, items initially classified as critical ("SWIPRA Initial") are discussed with the company. Thereafter, SWIPRA will publish a final FOR or AGAINST recommendation ("SWIPRA Final") and disclose the additional information obtained in the engagement

** ISS recommendations are not publicly available and are approximated by voting reports of market participants relying on ISS proxy voting guidelines



V. Proxy Advisors Influence in companies overall

- Percentage of shareholders' AGAINST votes is associated with proxy advisors' AGAINST recommendations, but this association has decreased markedly in the past year on average
- Proxy advisor recommendations may influence up to 30% of the votes at companies without an anchor shareholder (influence reduces to about half for firms with an anchor shareholder)
- In non-SMI companies, AGAINST votes reached over 50% when all proxy advisors were critical

➤ Data suggest an important influence of proxy advisor recommendations, particularly accentuated in widely-held companies

	Rejected	ONLY SWIPRA	ONLY ETHOS	ONLY Inrate	ONLY ISS*	ALL
AGAINST votes (median %)	1.07%	4.05%	7.46%	4.24%	9.02%	30.27%
AGAINST votes (n)	7	3	47	14	25	7

Sample: 50 largest SPI® companies which voluntarily vote on their compensation report and held their AGM between July 2016 and June 2017

Rejected are agenda items that were turned down by the shareholder vote

AGAINST Votes are votes casted by shareholders in widely-held firms (see Slide 9)

* ISS recommendations are not publicly available and are approximated by voting reports of market participants relying on ISS proxy voting guidelines



V. Proxy Advisors Different Philosophy - Overall

- The overlap between recommendations of SWIPRA and its peers has decreased in the past year, pointing towards a higher level of distinction between the proxy advisors' different assessment philosophies

➤ The high level of overlap is mainly driven by the vast majority of uncontested agenda items (e.g., approval of financial statements), while the variation is largely concentrated on important votes on compensation issues or certain board elections

		ETHOS		INRATE		ISS*	
		FOR	AGAINST	FOR	AGAINST	FOR	AGAINST
SWIPRA FINAL	FOR	854	155	914	86	859	117
	AGAINST	22	42	25	39	22	42
		Overlap: 83.50%		Overlap: 89.57%		Overlap: 86.6%	

Sample: 50 largest SPI® companies which voluntarily vote on their compensation report and held their AGM between July 2016 and June 2017

* ISS recommendations are not publicly available and are approximated by voting reports of market participants relying on ISS proxy voting guidelines



Contact Information

SWIPRA - Swiss Proxy Advisor

Ms Barbara Heller, CEO

Raemistrasse 5

PO Box 519

CH – 8024 Zurich

Phone +41 44 515 89 68

Barbara.Heller@swipra.ch

www.swipra.ch

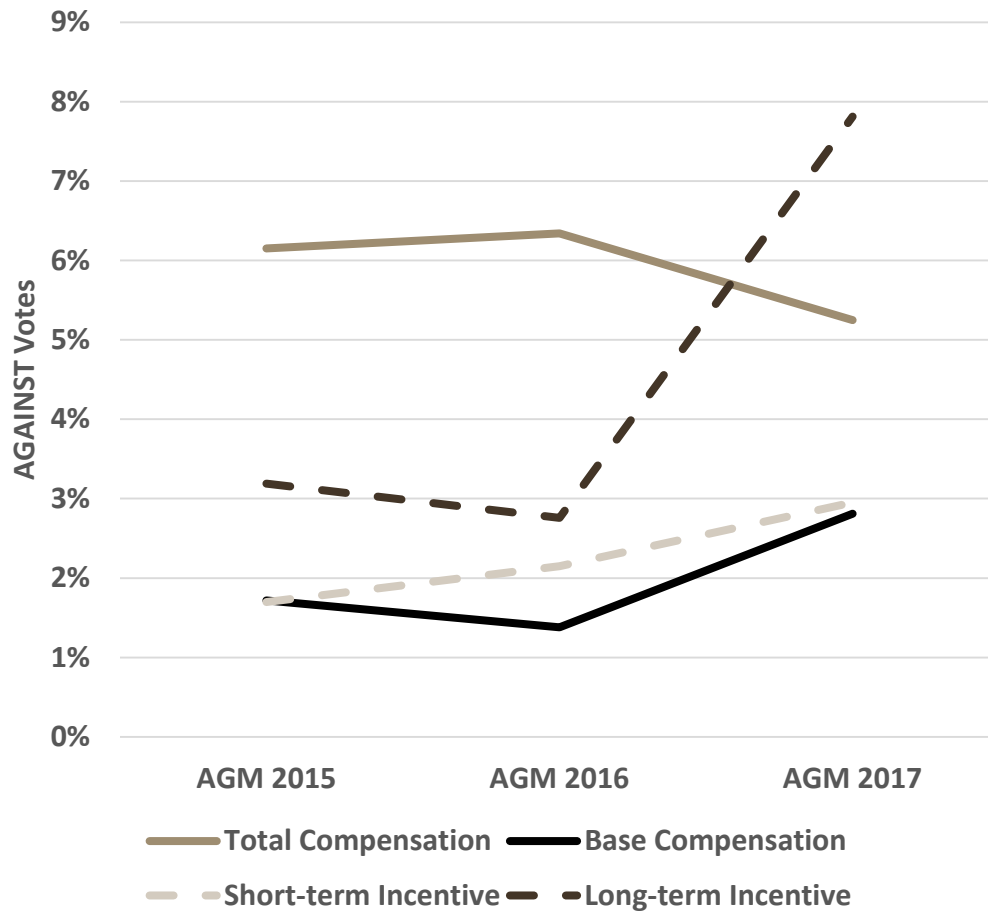


Appendix



A1. Compensation

Executive Compensation Amounts/Elements: Votes (II)



- While **short-term incentives** (STI) often raise issues in compensation report votes due to inadequate pay-for-performance disclosure, STIs do not seem to be an issue in compensation amount votes.
- Investors' concerns with maximum amounts for **long-term incentives** increased significantly in 2017.

➤ Leveraged long-term incentives (vesting > 100%) require high levels of maximum amounts that now come increasingly under pressure by investors.

Sample: Observations for the 100 largest SPI® companies that held their AGM between July 2016 and June 2017



A1. Compensation

International Perspective

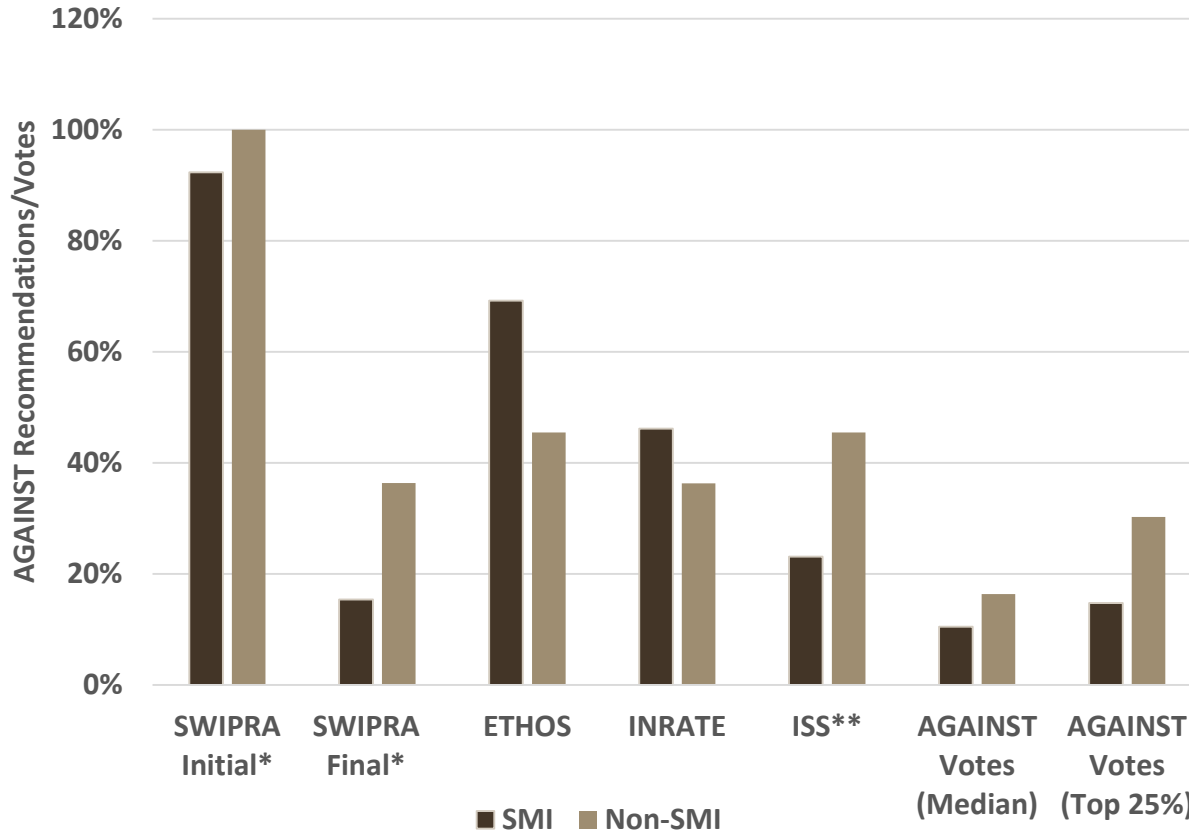
- The fraction of foreign investors voting AGAINST compensation reports is significantly higher for non-SMI companies than for SMI companies and in line with the voting behavior of Swiss Investors (mainly pension funds, bound by legal voting obligation).
- Interestingly, a larger fraction of foreign investors voted against the executive compensation in non-SMI companies compared to SMI companies, while the contrary is true for Swiss investors.
- While similar issues seem to drive investors' decisions regarding compensation reports, Swiss and foreign investors arguably differ in how they assess executive compensation amounts.

	Number of Investors Voting AGAINST (average in %)			
	International Investors		Swiss Investors	
	SMI	Non-SMI	SMI	Non-SMI
Compensation Report	33.64%	43.63%	36.76%	53.57%
Executive Compensation	13.71%	18.48%	33.33%	30.27%

The analyzed sample contains observations for CEOs of the 100 largest SPI® companies serving for the full business year



A2. Against Recommendations and Voting Outcome Compensation Report - Widely-held firms*



Sample: 50 largest SPI® companies which voluntarily vote on their compensation report and held their AGM between July 2016 and June 2017

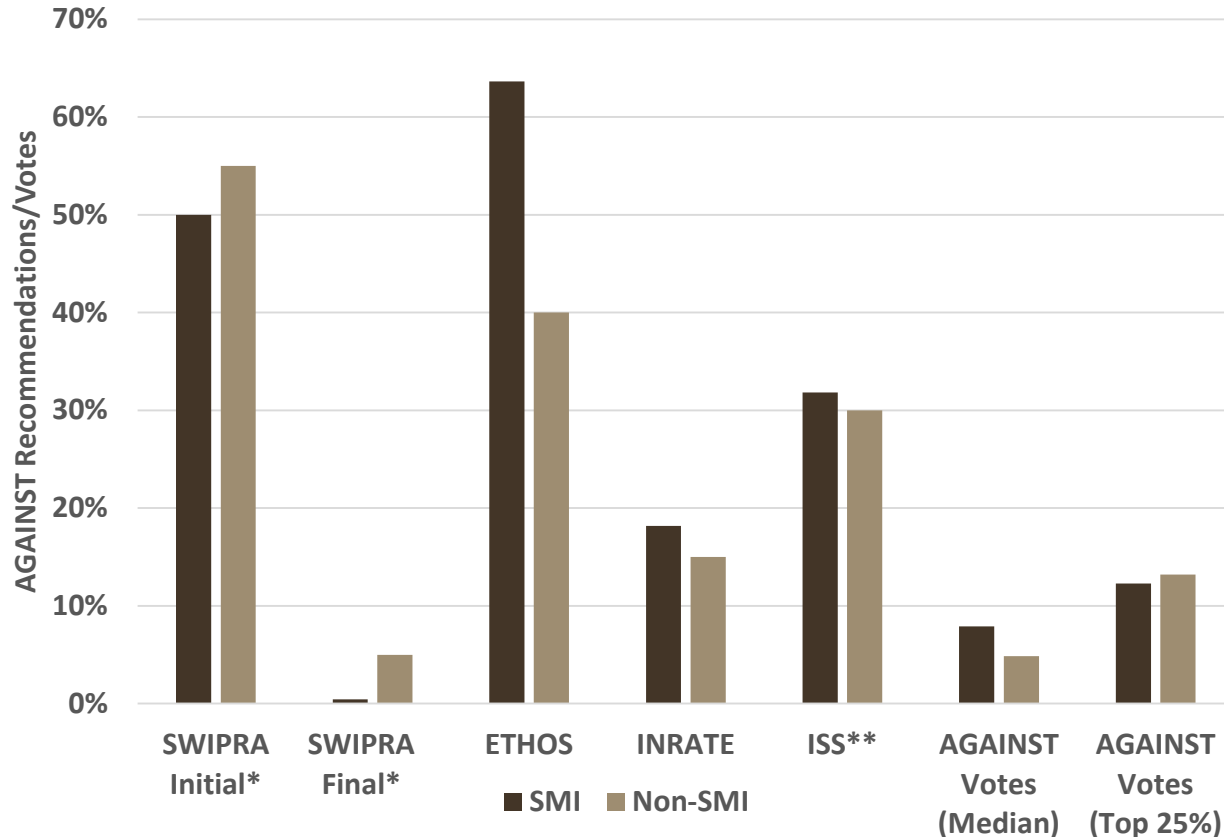
Top 25% refers to the quartile of companies receiving the highest level of AGAINST votes

* Firm without a single anchor shareholder controlling more than 20% of the votes

**ISS recommendations are not publicly available and are approximated by considering publicly available voting reports of market participants that relate their voting policy to the ISS proxy voting guidelines



A2. Against Recommendations and Voting Outcome Executive Compensation Amounts - Widely-held firms*



Sample: 50 largest SPI® companies which voluntarily vote on their compensation report and held their AGM between July 2016 and June 2017

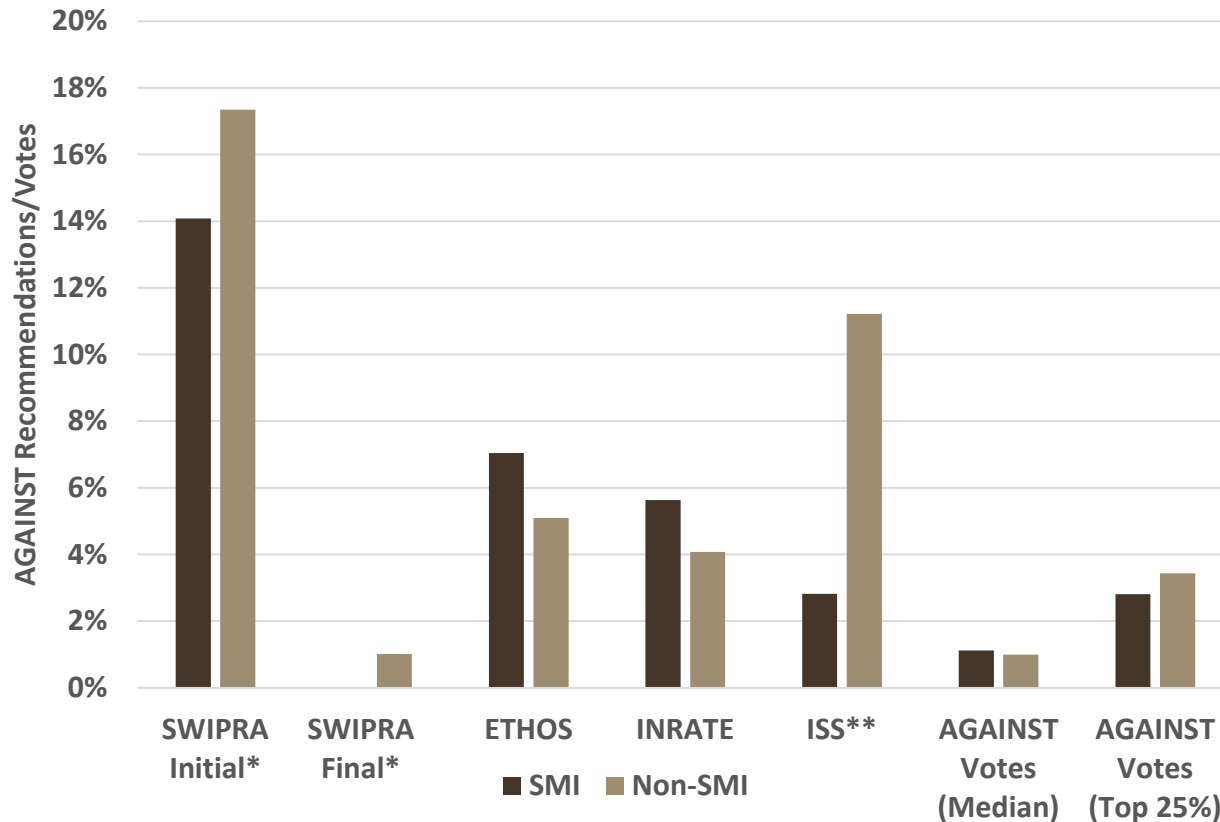
Top 25% refers to the quartile of companies receiving the highest level of AGAINST votes

* Firm without a single anchor shareholder controlling more than 20% of the votes

**ISS recommendations are not publicly available and are approximated by considering publicly available voting reports of market participants that relate their voting policy to the ISS proxy voting guidelines



A2. Against Recommendations and Voting Outcome Board Elections - Widely-held firms*



Sample: 50 largest SPI® companies which voluntarily vote on their compensation report and held their AGM between July 2016 and June 2017

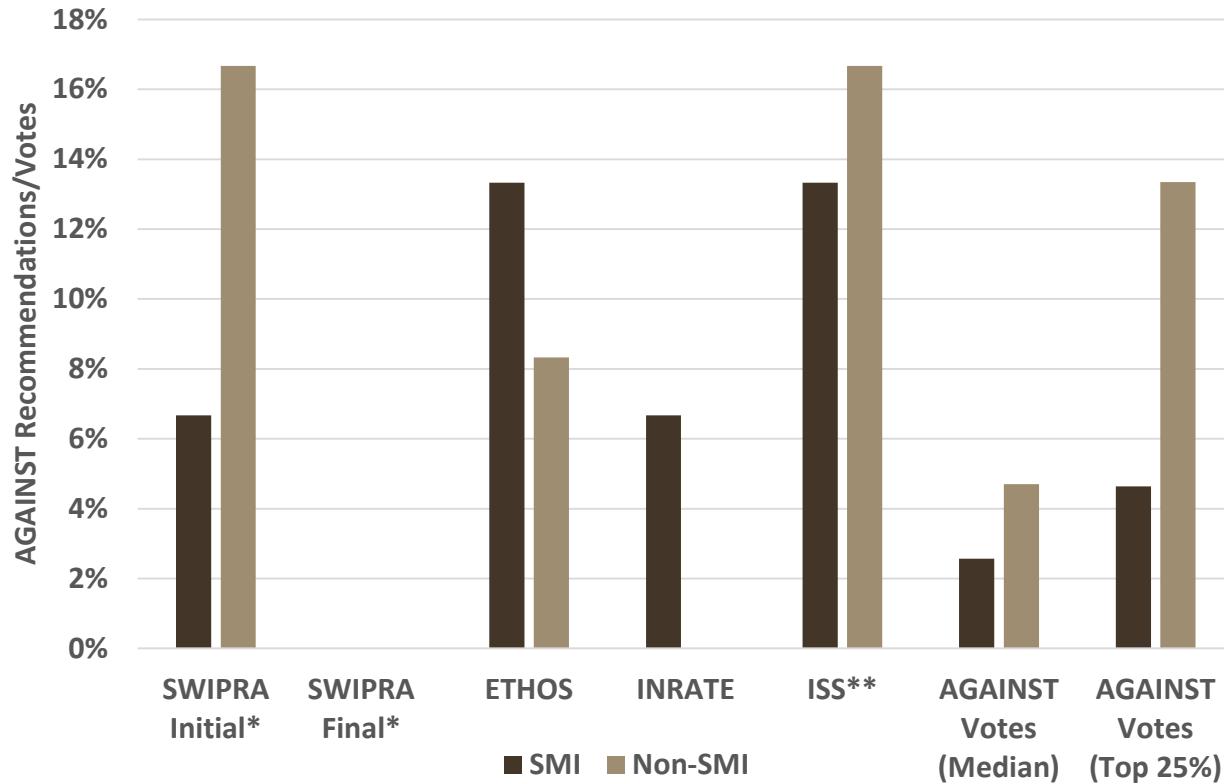
Top 25% refers to the quartile of companies receiving the highest level of AGAINST votes

* Firm without a single anchor shareholder controlling more than 20% of the votes

**ISS recommendations are not publicly available and are approximated by considering publicly available voting reports of market participants that relate their voting policy to the ISS proxy voting guidelines



A2. Against Recommendations and Voting Outcome Chairman Elections - Widely-held firms*



Sample: 50 largest SPI® companies which voluntarily vote on their compensation report and held their AGM between July 2016 and June 2017

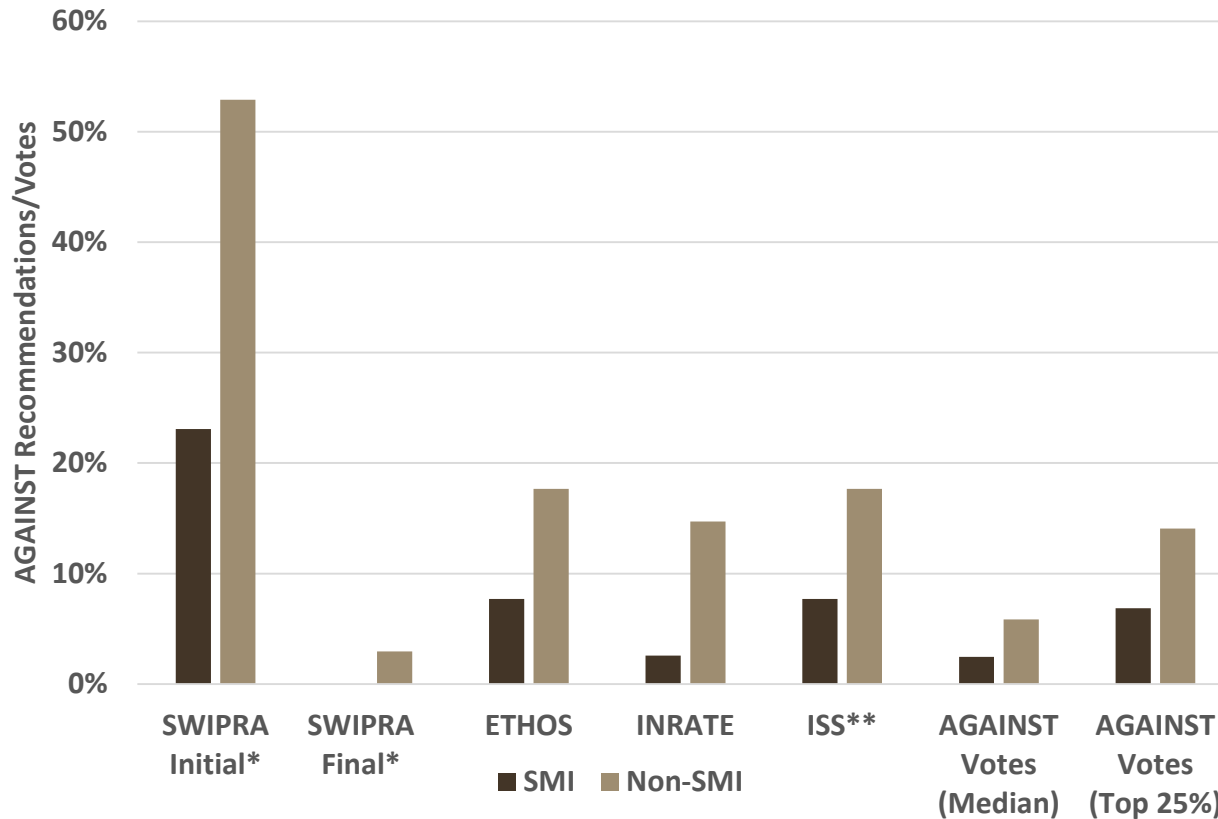
Top 25% refers to the quartile of companies receiving the highest level of AGAINST votes

* Firm without a single anchor shareholder controlling more than 20% of the votes

**ISS recommendations are not publicly available and are approximated by considering publicly available voting reports of market participants that relate their voting policy to the ISS proxy voting guidelines



A2. Against Recommendations and Voting Outcome Compensation Committee Elections - Widely-held firms*



Sample: 50 largest SPI® companies which voluntarily vote on their compensation report and held their AGM between July 2016 and June 2017

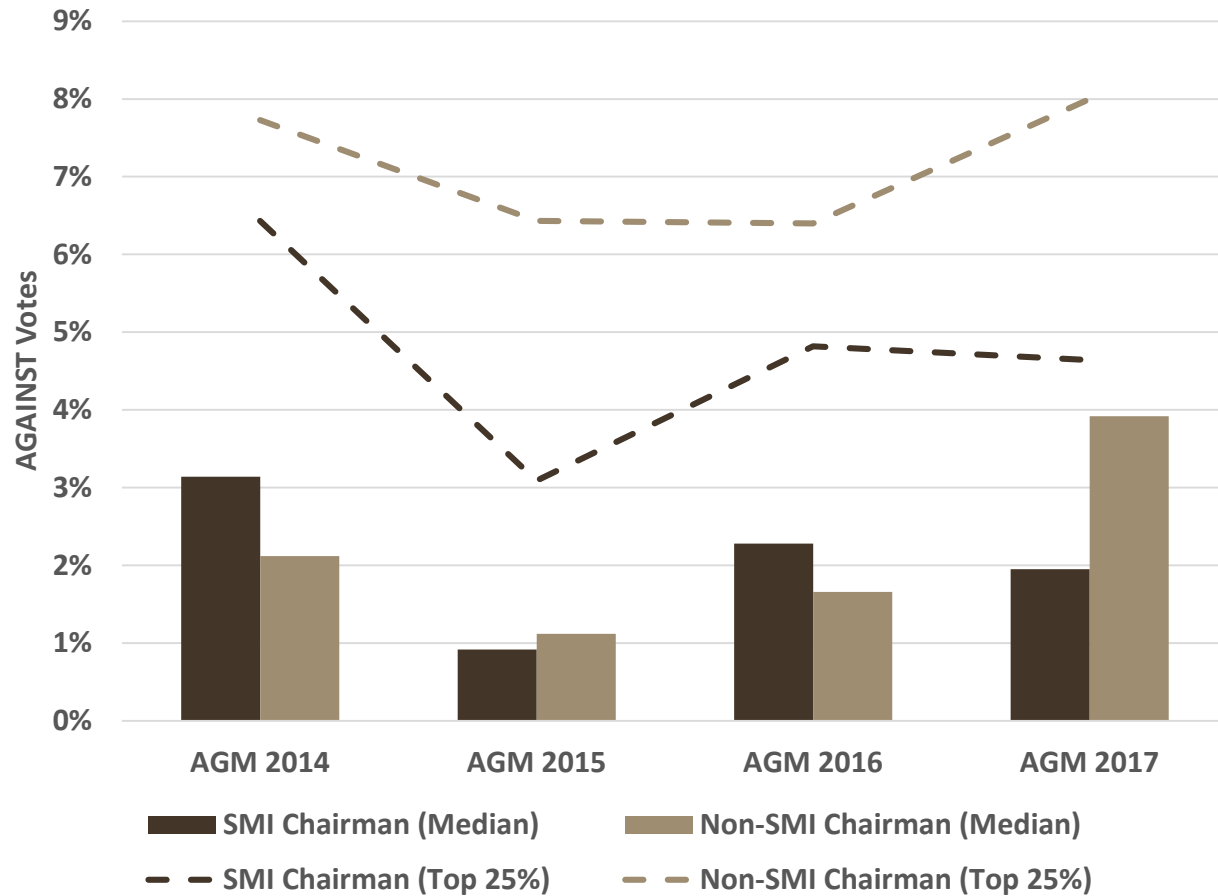
Top 25% refers to the quartile of companies receiving the highest level of AGAINST votes

* Firm without a single anchor shareholder controlling more than 20% of the votes

**ISS recommendations are not publicly available and are approximated by considering publicly available voting reports of market participants that relate their voting policy to the ISS proxy voting guidelines



A3. Board of Directors – Elections (III) Chairman



Sample: 100 largest SPI® companies with AGM's between July 2016 and June 2017
Top 25% refers to the quartile of companies receiving the highest level of AGAINST votes



A4. Proxy Advisors Different Philosophy - Compensation

	AGM	Recommendation Overlap	
		Compensation Report	Compensation Amounts
SWIPRA FINAL – ETHOS	2015	36.36%	56.53%
	2016	45.24%	58.27%
	2017	60.00%	59.68%
SWIPRA FINAL – INRATE	2015	57.57%	84.21%
	2016	69.23%	81.58%
	2017	71.43%	81.30%
SWIPRA FINAL- ISS*	2015	72.73%	83.33%
	2016	74.36%	85.71%
	2017	70.51%	76.03%

Sample: 50 largest SPI® companies which voluntarily vote on their compensation report and held their AGM between July 2016 and June 2017

*ISS recommendations are not publicly available and are approximated by considering publicly available voting reports of market participants that relate their voting policy to the ISS proxy voting guidelines



A4. Proxy Advisors Different Philosophy – Elections

	AGM	Recommendation Overlap	
		Chairman Election	Compensation Committee Election
SWIPRA FINAL - ETHOS	2015	88.37%	83.56%
	2016	94.74%	88.67%
	2017	84.09%	78.03%
SWIPRA FINAL – INRATE	2015	95.35%	91.09%
	2016	94.74%	92.67%
	2017	93.18%	86.37%
SWIPRA FINAL – ISS*	2015	76.19%	79.86%
	2016	78.95%	84.00%
	2017	83.73%	86.82%

Sample: 50 largest SPI® companies which voluntarily vote on their compensation report and held their AGM between July 2016 and June 2017

*ISS recommendations are not publicly available and are approximated by considering publicly available voting reports of market participants that relate their voting policy to the ISS proxy voting guidelines