

# Corporate Governance Report 2016

## Introduction

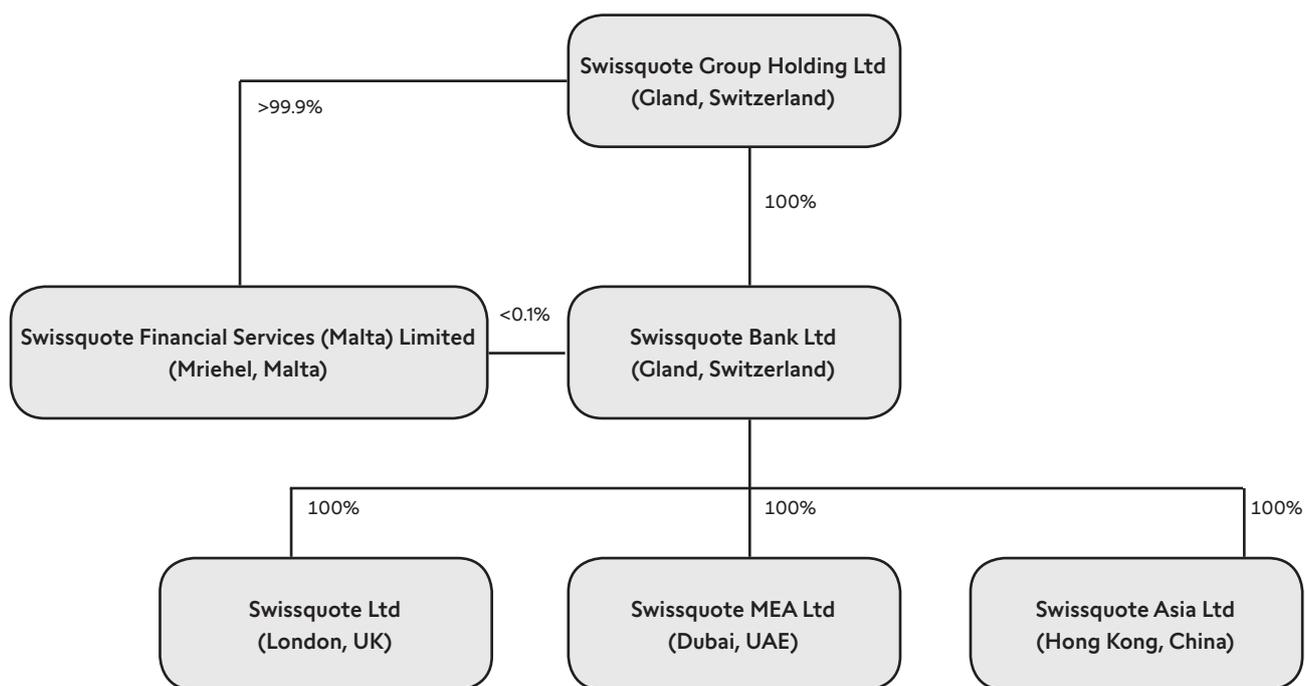
The Swissquote Group (the "Group") is fully committed to meeting the highest standards of corporate governance and acts in compliance with the standards established by the SIX Swiss Exchange Directive on Information Relating to Corporate Governance.

### 1. Group structure and shareholders

#### 1.1 Group structure

The structure of the Group, which comprises Swissquote Group Holding Ltd and its subsidiaries, is designed to support the Group's operations within an efficient regulatory and tax framework.

Swissquote Group comprises the following active companies as at 31 December 2016:



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## 1.1 Group structure (continued)

**Swissquote Group Holding Ltd** (the "Company") is the listed vehicle of the Group. It was incorporated on 12 August 1999. Its shares have been listed on SIX Swiss Exchange since 29 May 2000 with the symbol SQN, the security number 1,067,586 and the ISIN number CH0010675863. As at 31 December 2016, the market capitalisation of the Company amounted to CHF 365,576,855. The Group headquarters are located in Gland, Canton de Vaud, Switzerland. Details on the capital are provided in section 2.

**Swissquote Bank Ltd** (the "Bank") was incorporated on 24 November 2000 and is a bank under the supervision of the Swiss Financial Market Supervisory Authority FINMA ("FINMA"). The main office of the Bank is also located in Gland, Canton de Vaud, Switzerland, with a branch in Zürich and representative offices in Dubai and Hong Kong. The share capital of the Bank amounts to CHF 34,500,000 (5,750,000 registered shares with a nominal value of CHF 6).

**Swissquote Financial Services (Malta) Limited** has been a limited liability company incorporated in Malta since 19 October 2012. Swissquote Financial Services (Malta) Limited is an investment services company that operates as custodian for European investment funds under a Category 4a licence from the Malta Financial Services Authority (MFSA). The share capital of Swissquote Financial Services (Malta) Limited amounts to EUR 1,100,000, divided into 1,099,999 Ordinary Class A shares with a nominal value of EUR 1 (held by the Company) and 1 Ordinary Class B share with a nominal value of EUR 1 (held by the Bank).

**Swissquote Ltd** has been a limited liability company incorporated in London since 19 July 2011. Swissquote Ltd is an investment company that provides online trading services under the supervision of the Financial Conduct Authority (FCA). The share capital of Swissquote Ltd amounts to GBP 3,760,100 (3,760,100 ordinary shares with a nominal value of GBP 1).

**Swissquote MEA Ltd** has been a limited liability company incorporated in the Dubai International Financial Center (DIFC) since 14 June 2012. Swissquote MEA Ltd has a Category 4 licence and is under the supervision of the Dubai Financial Services Authority (DFSA). The share capital of Swissquote MEA Ltd amounts to USD 500,000 (500 registered shares with no nominal value).

**Swissquote Asia Ltd** has been a limited liability company incorporated in Hong Kong since 16 January 2012. Swissquote Asia Ltd is a licensed corporation under the supervision of the Securities and Futures Commission (SFC), from which it was granted a Type 3 licence (Leverage Foreign Exchange Trading). The share capital of Swissquote Asia Ltd amounts to HKD 5,500,000 (5,500,000 registered shares with a nominal value of HKD 1).

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## 1.2 Significant shareholders

Under the Swiss Financial Market Infrastructure Act (FMIA), any person holding shares in a company listed in Switzerland is required to notify the concerned company and the stock exchange, if the holding reaches, falls below or exceeds the following thresholds: 3%, 5%, 10%, 15%, 20%, 33 1/3%, 50%, or 66 2/3% of the voting rights.

According to the information received by the Company and pursuant to section 1.2 of the Annex to the SIX Swiss Exchange Directive on Information Relating to Corporate Governance, the shareholders with an interest in the Company above 3% as at 31 December 2016 are as follows:

|  | 2016   |         |        | 2015   |         |        |
|--|--------|---------|--------|--------|---------|--------|
|  | Shares | Options | Total  | Shares | Options | Total  |
| Marc Bürki   | 12.57% | 0.14%   | 12.71% | 12.55% | 0.16%   | 12.71% |
| Paolo Buzzi  | 12.57% | 0.14%   | 12.71% | 12.55% | 0.16%   | 12.71% |
| Windel Investments Ltd<br>(indirect holder: George Butros Mansour) | 4.89%  | 1.37%   | 6.26%  | 4.89%  | 1.37%   | 6.26%  |
| PostFinance AG   | 5.00%  | -       | 5.00%  | 5.00%  | -       | 5.00%  |
| Mario Fontana  | 4.95%  | 0.02%   | 4.97%  | 4.94%  | 0.04%   | 4.98%  |
| Basellandschaftliche Kantonalbank                                  | 4.77%  | -       | 4.77%  | 4.77%  | -       | 4.77%  |
| UBS Fund Management (Switzerland) AG                               | 3.22%  | -       | 3.22%  | 3.22%  | -       | 3.22%  |
| Acadian Asset Management LLC                                       | 3.03%  | -       | 3.03%  | -      | -       | -      |

For further information on stock options, reference is made to the Remuneration Report.

The following table reports the main information pertaining to the disclosures of shareholdings made in accordance with Art. 120 FMIA in 2016:

| Date       | Shareholder/Group            | Indirect holder | Trigger                             | New interest | New percentage of voting rights |
|------------|------------------------------|-----------------|-------------------------------------|--------------|---------------------------------|
| 12.08.2016 | Swissquote Group Holding Ltd | -               | Expiration of financial instruments | 444,906      | 2.90%                           |
| 02.09.2016 | Swissquote Group Holding Ltd | -               | Granting of financial instruments   | 439,329      | 2.87%                           |
| 15.12.2016 | Acadian Asset Management LLC | Old Mutual plc  | Acquisition                         | 465,064      | 3.03%                           |

A full list of past disclosures of shareholdings (including all details) is available on the website of SIX Swiss Exchange using the following link:

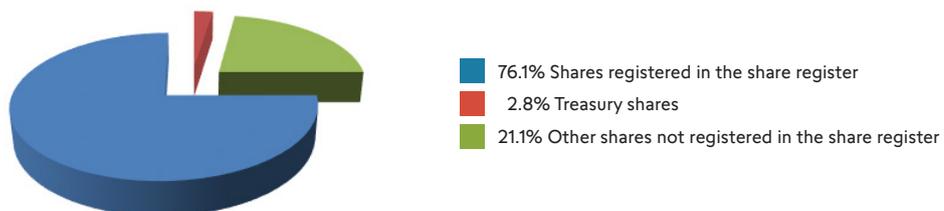
[www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html](http://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html)

The Company is not aware of any relevant shareholder's agreements.

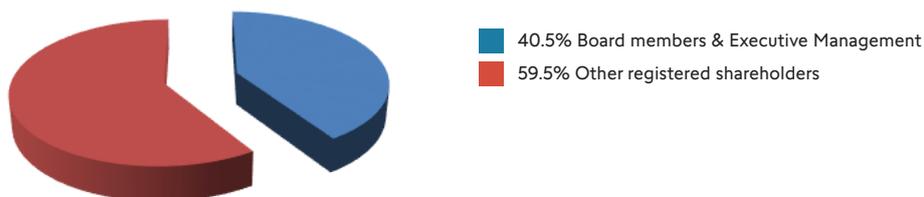
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## 1.2 Significant shareholders (continued)

As at 31 December 2016, the issued share capital of the Company consisted of 15,328,170 ordinary registered shares with a nominal value of CHF 0.20 each. The shares registered in the share register amounted to 11,668,994 and the Company owned 432,744 treasury shares. The distribution of the shareholdings in the Company as of 31 December 2016 is reflected below:



Further the registered shareholders at 31 December 2016 are broken down as follows:



## 1.3 Cross-shareholdings

There are no cross-shareholdings.

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## 2. Capital structure

### 2.1 Capital

Under Swiss company law, the general meeting of shareholders (the "General Meeting") has to approve any change in the total number of shares, whether with respect to the ordinary share capital or with respect to the creation of conditional capital or authorised capital.

As at 31 December 2016, the share capital of the Company amounted to CHF 3,065,634 (15,328,170 registered shares with a nominal value of CHF 0.20 each). The share capital is fully paid-in. The Company itself owned 432,744 treasury shares. Further, a conditional share capital amounting to CHF 192,000 and consisting of 960,000 shares with a nominal value of CHF 0.20 each and an authorised capital of CHF 362,040 consisting of 1,810,200 shares with a nominal value of CHF 0.20 each remained outstanding as at 31 December 2016.

SIX Swiss Exchange regulations provide that individual shareholdings exceeding 5% (save for, inter alia, certain investment funds) are deemed to be a permanent investment and are therefore to be excluded from the free float. In accordance with SIX Swiss Exchange regulations, the free float as at 31 December 2016 was 69.86% (2015: 69.90%).

### 2.2 Conditional and authorised capital in particular

In this section and in the remainder of the Corporate Governance Report, the Articles of Incorporation of the Company, last amended on 13 May 2016 and applicable as at 31 December 2016, available at <https://en.swissquote.com/company/investors> in the French original version together with an English free translation, shall be referred to as the "Aol".

Art. 4<sup>bis</sup> of the Aol on the utilisation of the conditional capital provides that the Board of Directors of the Company (the "Board") is authorised to increase the share capital of the Company by a maximum of CHF 192,000 by issuing no more than 960,000 new registered shares with a nominal value of CHF 0.20 each. The capital increase may be carried out through the exercise of options granted by the Board to certain employees of the Company and its group companies by a maximum of CHF 150,000 through the issuance of a maximum of 750,000 new registered shares with a nominal value of CHF 0.20 each. The capital increase may also be carried out through the exercise of options granted by the Board in connection with the acquisition of a business undertaking, parts of a business undertaking or acquisition of participations in a business undertaking by a maximum of CHF 42,000 through the issuance of a maximum of 210,000 new registered shares with a nominal value of CHF 0.20 each.

Art. 4<sup>ter</sup> of the Aol governing the utilisation of the authorised capital provides that the Board is authorised until 13 May 2018 to increase the share capital of the Company by a maximum of CHF 362,040 by issuing no more than 1,810,200 new registered shares with a nominal value of CHF 0.20 each. The Board determines the amount of the issue, the point in time at which the shares confer a dividend entitlement, the method of payment in full for contributions and the subscription procedure. An increase in tranches or a partial increase is permissible. In accordance with the modalities laid down by the Board, the amount of the increase must be fully paid-in. The restrictions on the transferability of registered shares set forth in the Aol also apply to the new shares.

In accordance with Art. 652b Para. 2 of the Swiss Code of Obligations (CO), only the General Meeting may decide to revoke subscription rights in the following cases:

- ▶ when the new registered shares are used for the acquisition of a business undertaking, parts of a business undertaking or for acquiring participations in a business undertaking, or are used to enable the conclusion and / or setting up of strategic partnerships;
- ▶ when, in connection with the acquisition of a business undertaking, parts of a business undertaking or acquisition of participations in a business undertaking, it is planned that the seller shall receive rights allowing it to buy Company shares at a set price and subject to the achievement of specific objectives or the fulfilment of specific criteria within a given timeframe. In this case, authorised capital may be used to the extent necessary to cover such rights, but solely provided that any authorised or conditional capital created for this specific purpose has already been exhausted.

In other instances of increases in share capital decided on the basis of Art. 4<sup>ter</sup> of the Aol, shareholders may exercise their subscription rights proportionally to their previous shareholding. With regard to subscription rights assigned but not exercised, the Board may, without having to consult the General Meeting beforehand, either allow these to lapse or else offer them – or the corresponding new shares – wholly or in part to other shareholders in proportion to their previous shareholding or to third parties, under such conditions as it sees fit to impose. Subscription rights may only be exercised by shareholders entered in the share register. The Board must determine the modalities for the registration of shareholders who purchased shares in the Company until the day of the decision of the Board to increase the share capital, but who have not yet been entered in the share register. The Board may, as it sees fit, permit shares to be subscribed by third parties acting in a fiduciary capacity and define the relevant procedure.

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## 2.3 Changes in capital

The following table summarises the changes in capital that took place within the last three financial years:

| Number of shares                     | Ordinary shares<br>issued | Unissued shares     |                    | Total shares issued<br>and unissued |
|--------------------------------------|---------------------------|---------------------|--------------------|-------------------------------------|
|                                      |                           | Conditional capital | Authorised capital |                                     |
| <b>As at 1 January 2014</b>          | <b>14,638,370</b>         | <b>750,000</b>      | <b>3,500,000</b>   | <b>18,888,370</b>                   |
| Exercise of employees' stock options | -                         | -                   | -                  | -                                   |
| Increase/(decrease) in capital       | 689,800                   | 210,000             | (1,689,800)        | (790,000)                           |
| <b>As at 31 December 2014</b>        | <b>15,328,170</b>         | <b>960,000</b>      | <b>1,810,200</b>   | <b>18,098,370</b>                   |
| <b>As at 1 January 2015</b>          | <b>15,328,170</b>         | <b>960,000</b>      | <b>1,810,200</b>   | <b>18,098,370</b>                   |
| Exercise of employees' stock options | -                         | -                   | -                  | -                                   |
| Increase/(decrease) in capital       | -                         | -                   | -                  | -                                   |
| <b>As at 31 December 2015</b>        | <b>15,328,170</b>         | <b>960,000</b>      | <b>1,810,200</b>   | <b>18,098,370</b>                   |
| <b>As at 1 January 2016</b>          |                           |                     |                    |                                     |
| Exercise of employees' stock options | -                         | -                   | -                  | -                                   |
| Increase/(decrease) in capital       | -                         | -                   | -                  | -                                   |
| <b>As at 31 December 2016</b>        | <b>15,328,170</b>         | <b>960,000</b>      | <b>1,810,200</b>   | <b>18,098,370</b>                   |

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## 2.3 Changes in capital (continued)

The following table summarises the changes in equity that took place within the last three financial years:

|   | Share capital    | Share premium     | Share option reserve | Other reserve      | Treasury shares     | Retained earnings  | Total              |
|---|------------------|-------------------|----------------------|--------------------|---------------------|--------------------|--------------------|
| <b>Balance as at 1 January 2014</b>           | <b>2,927,674</b> | <b>35,636,056</b> | <b>2,546,508</b>     | <b>1,814,847</b>   | <b>(2,959,769)</b>  | <b>207,975,745</b> | <b>247,941,061</b> |
| Net profit                                    | -                | -                 | -                    | -                  | -                   | 23,521,337         | 23,521,337         |
| Dividend and reimbursement from reserves      | -                | -                 | -                    | -                  | -                   | (8,648,833)        | (8,648,833)        |
| Transaction costs related to capital increase | 137,960          | 25,212,190        | -                    | -                  | -                   | -                  | 25,350,150         |
| Currency translation differences              | -                | -                 | -                    | 352,842            | -                   | -                  | 352,842            |
| Other movements (*)                           | -                | (96,206)          | (253,342)            | (5,314,104)        | (9,608,037)         | 1,116,970          | (14,154,719)       |
| <b>Balance as at 31 December 2014</b>         | <b>3,065,634</b> | <b>60,752,040</b> | <b>2,293,166</b>     | <b>(3,146,415)</b> | <b>(12,567,806)</b> | <b>223,965,219</b> | <b>274,361,838</b> |
| <b>Balance as at 1 January 2015</b>           | <b>3,065,634</b> | <b>60,752,040</b> | <b>2,293,166</b>     | <b>(3,146,415)</b> | <b>(12,567,806)</b> | <b>223,965,219</b> | <b>274,361,838</b> |
| Net profit                                    | -                | -                 | -                    | -                  | -                   | 2,075,234          | 2,075,234          |
| Dividend and reimbursement from reserves      | -                | (8,945,776)       | -                    | -                  | -                   | -                  | (8,945,776)        |
| Transaction costs related to capital increase | -                | -                 | -                    | -                  | -                   | -                  | -                  |
| Currency translation differences              | -                | -                 | -                    | (145,967)          | -                   | -                  | (145,967)          |
| Other movements (*)                           | -                | (95,859)          | (85,779)             | 872,979            | (1,348,001)         | 980,989            | 324,329            |
| <b>Balance as at 1 January 2016</b>           | <b>3,065,634</b> | <b>51,710,405</b> | <b>2,207,387</b>     | <b>(2,419,403)</b> | <b>(13,915,807)</b> | <b>227,021,442</b> | <b>267,669,658</b> |
| Net profit                                    | -                | -                 | -                    | -                  | -                   | 20,752,514         | 20,752,514         |
| Dividend and reimbursement from reserves      | -                | (8,930,458)       | -                    | -                  | -                   | -                  | (8,930,458)        |
| Transaction costs related to capital increase | -                | -                 | -                    | -                  | -                   | -                  | -                  |
| Currency translation differences              | -                | -                 | -                    | (330,543)          | -                   | -                  | (330,543)          |
| Other movements (*)                           | -                | (194,331)         | (238,459)            | 1,239,496          | (75,377)            | 941,964            | 1,673,293          |
| <b>Balance as at 31 December 2016</b>         | <b>3,065,634</b> | <b>42,585,616</b> | <b>1,968,928</b>     | <b>(1,510,450)</b> | <b>(13,991,184)</b> | <b>248,715,920</b> | <b>280,834,464</b> |

(\*) For further details, reference is made to the consolidated statement of changes in equity for the years ended 2016, 2015 and 2014.

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## 2.4 Shares and participation certificates

Pursuant to Art. 5 of the Aol, the Company may issue its registered shares in the form of single certificates, global certificates or uncertified securities. As at 31 December 2016, the share capital consisted of 15,328,170 registered shares. The share capital of the Company is fully paid-in. The dividend entitlement depends on the share's nominal value. Each of the Company's registered shares carries one voting right at the General Meeting. Upon request, acquirers of registered shares will be entered in the share register as shareholders with voting rights if they expressly declare that they acquired the registered shares in their own name and for their own account. More information is provided in sections 2.6 and 6.

The Company does not issue any participation certificates.

## 2.5 Dividend-right certificates

The Company does not issue any dividend-right certificates.

## 2.6 Limitations on transferability and nominee registrations

In accordance with Art. 685a CO and Art. 7 Para. 1 of the Aol, the transfer of registered shares is subject to the approval of the Board. Upon request, acquirers of registered shares will be entered in the share register as shareholders with voting rights if they expressly declare that they have acquired the registered shares in their own name and for their own account. If this requirement is not satisfied, the person in question will be entered in the share register as a shareholder without voting rights. Pursuant to Art. 7 Para. 2 of the Aol, the Board may reject a request for entry into the share register within 20 days.

The Aol do not contain any express provision for granting exceptions to this limitation; no such exceptions were granted in the year under review. Nominees cannot be registered with voting rights; there were no exceptions in 2016.

Pursuant to Art. 14 Para. 1 of the Aol, decisions related to the restrictions on the transferability of registered shares can only be made by the General Meeting and require a qualified majority vote (two thirds of the votes represented and an absolute majority of the nominal values of the shares represented).

## 2.7 Convertible bonds and options

The Company does not issue any bonds, convertible bonds or warrants.

Information on the Group's stock option plan is provided in the Remuneration Report.

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## 3. Board of Directors

The Board has the ultimate responsibility for the strategy and the management of the Company and for the supervision of the Executive Management of the Company (the "Executive Management"). Art. 16 Para. 1 of the Aol stipulates that the Board must be composed of a minimum of three members. As at 31 December 2016, the Board consisted of six members, all non-executive, details of which are presented here-below.

### 3.1 Members of the Board of Directors

At the annual ordinary General Meeting (the "Ordinary General Meeting") of 13 May 2016, Beat Oberlin was newly elected and all five remaining members of the Board were re-elected.

**Mario Fontana (1946 / Swiss national, domiciled in Switzerland)**  
Chairman of the Board of Swissquote Group Holding Ltd since April 2002  
Chairman of the Board of Swissquote Bank Ltd since April 2004  
Member of the Nomination & Remuneration Committee

#### Educational Background

1966 – 1969 ETH Zurich, Studies in Mechanical Engineering  
1969 – 1970 Georgia Tech, USA, Master of Science Degree in Aerospace Engineering

#### Executive Experience

1970 – 1977 IBM Switzerland, Sales Representative and International Account Manager  
1977 – 1980 Brown Boveri Brazil, Chief of Staff and CIO. Since 1997 is part of ABB  
1981 – 1983 Storage Technology Switzerland, Country General Manager  
1984 – 1993 Hewlett-Packard Switzerland, Country General Manager  
1993 – 1995 Hewlett-Packard Germany, General Manager Computer Business  
1995 – 1997 Hewlett-Packard Europe, General Manager Computer Business  
1997 – 1999 Hewlett-Packard USA, General Manager Financial Services worldwide

#### Previous Board Mandates

1993 – 2006 Büro Furrer, Member of the Board. Company acquired by Lyreco, France  
1998 – 2008 SBB, Swiss Railways, Member of the Board  
1999 – 2004 Bon appétit Group, Chairman. Company acquired by REWE, Germany  
2000 – 2005 Leica Geosystems, Chairman. Company acquired by Hexagon, Sweden  
2000 – 2003 AC Services, Germany, Member of the Board  
2002 – 2006 Sulzer, Member of the Board  
2003 – 2010 Inficon, Member of the Board  
2004 – 2006 Amazys, Chairman. Company acquired by X-Rite, USA  
2005 – 2013 Dufry, Member of the Board  
2006 – 2008 X-Rite, USA, Member of the Board  
2006 - 2013 Hexagon, Sweden, Member of the Board

#### Current Board Mandates

Since 2001 Swissquote Group Holding Ltd, since 2002 Chairman  
Since 2004 Swissquote Bank Ltd, Chairman  
Since 2010 Regent Lighting, Chairman

#### Other Activities

Since 2007 Investor and Board Member of various start-up companies  
Since 2008 Own family foundation: [www.fontana-foundation.org](http://www.fontana-foundation.org)

Mario Fontana has not held official functions or political posts in 2016. With the exception of the above-mentioned activities, he has no significant business connections with the Company or one of the Company's subsidiaries.

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## Markus Dennler (1956 / Swiss national, domiciled in Switzerland)

Member of the Board of Swissquote Group Holding Ltd since March 2005

Vice-Chairman of the Board of Swissquote Bank Ltd since May 2015

Chairman of the Nomination & Remuneration Committee

### Educational Background

|      |   |
|------|---|
| 1982 | Licentiate in Law, University of Zurich |
| 1984 | Doctorate in Law, University of Zurich  |
| 1986 | Attorney at Law, admitted to the Bar    |
| 1989 | International Bankers School, New York  |
| 1997 | Harvard Business School, Boston (AMP)   |

### Executive Experience

|             |  |
|-------------|--|
| 1986 - 1994 | Credit Suisse, Various assignments   |
| 1994 - 1996 | CS Columna, Delegate to the Board of Directors   |
| 1997 - 1998 | Winterthur Columna, CEO  |
| 1998 - 2000 | Winterthur Insurance, Member of the Corporate Executive Board and Head of Individual and Group Life Division             |
| 2000 - 2003 | Credit Suisse, Member of the Executive Board of CSFS and responsible for the operational global life & pensions business |

### Previous Board Mandates

|             |                                |
|-------------|--------------------------------|
| 2005 - 2006 | Batigroup, Chairman            |
| 2005 - 2007 | Converium, Chairman            |
| 2007 - 2010 | Jelmoli, Member of the Board   |
| 2006 - 2013 | Petroplus, Member of the Board |
| 2006 - 2015 | Implenia, since 2011 Chairman  |

### Current Board Mandates

|            |   |
|------------|---|
| Since 2003 | British Swiss Chamber of Commerce, since 2016 Honorary Councillor |
| Since 2005 | Swissquote Group Holding Ltd, Member of the Board                 |
| Since 2005 | Swissquote Bank Ltd, since 2015 Vice-Chairman                     |
| Since 2006 | Allianz Suisse, since 2012 Chairman                               |

Markus Dennler has not held official functions or political posts in 2016. With the exception of the above-mentioned activities, he has no significant business connections with the Company or one of the Company's subsidiaries.

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**Martin Naville (1959 / Swiss national, domiciled in Switzerland)**

Member of the Board of Swissquote Group Holding Ltd since April 2007

Member of the Board of Swissquote Bank Ltd since April 2007

Member of the Audit & Risk Committee

## Educational Background

1979 – 1984 University Zurich, Master of the Laws

## Executive Experience

1985 – 1988 J.P. Morgan Bank, Assistant Treasurer in Zurich and New York

1988 - 1990 The Boston Consulting Group, Consultant in Munich

1990 – 1992 The Boston Consulting Group, Project Leader in Zurich

1992 – 1995 The Boston Consulting Group, Manager in New York

1995 – 2004 The Boston Consulting Group, Partner and Director in Zurich

Since 2004 Swiss-American Chamber of Commerce, CEO, Zurich

## Current Board Mandates

Since 2002 Zoo Zürich Inc., since 2004 Chairman

Since 2007 Swissquote Group Holding Ltd, Member of the Board

Since 2007 Swissquote Bank Ltd, Member of the Board

Martin Naville has not held official functions or political posts in 2016. With the exception of the above-mentioned activities, he has no significant business connections with the Company or one of the Company's subsidiaries.

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## **Adrian Bult (1959 / Swiss national, domiciled in Switzerland)**

Member of the Board of Swissquote Group Holding Ltd since April 2008

Member of the Board of Swissquote Bank Ltd since April 2008

Member of the Audit & Risk Committee

### Educational Background

1978 – 1983 University St. Gallen, MBA in Economics and Marketing

### Executive Experience

1984 – 1987 IBM (Switzerland) Zürich, Marketing Assistant, Sales Representative

1988 – 1989 IBM United Kingdom, Industry Specialist

1989 – 1994 IBM (Switzerland) Zürich, Head of Market Development Banking, Head of Profit Center Banking

1995 – 1996 IBM (Switzerland), IBM (Austria), Head of Profit Center Switzerland, Austria and Eastern Europe and member of the management board IBM (Switzerland)

1997 IBM (Switzerland), Head of Region Switzerland, Austria, Eastern Europe, Germany

1997 – 1998 Telecom PTT (prior to the IPO), Head of IT

1998 – 2000 Swisscom AG, Chief Information Officer, Member of the management board

2001 – 2006 Swisscom Fixnet AG, Bern (wire line company), CEO and member of the management board Swisscom AG

2006 – 2007 Swisscom Mobile AG, Bern, CEO and member of the management board of Swisscom AG

2007 – 2012 COO Avaloq Evolution AG, Zürich, Member of the management team, shareholder

### Current Board Mandates

Since 2007 Swissgrid AG, Switzerland, since December 2012 Chairman of the Board

Since 2007 Garaio AG, Switzerland, since 2013 Chairman of the Board

Since 2008 Swissquote Group Holding Ltd, Member of the Board

Since 2008 Swissquote Bank Ltd, Member of the Board

Since 2010 Regent Lighting, Member of the Board

Since 2012 AdNovum AG, Switzerland, since March 2016 Chairman of the Board

Since 2012 Alfred Müller AG, Switzerland, Member of the Board

Since 2013 SWICA, Member of the Board

Since 2015 Parsumo Capital AG, Member of the Board

Since 2016 Basel Area, Member of the Board

Adrian Bult has not held official functions or political posts in 2016. With the exception of the above-mentioned activities, he has no significant business connections with the Company or one of the Company's subsidiaries.

Adrian Bult will not seek for re-election at the General Meeting of Shareholders on 12 May 2017.

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## Jean-Christophe Pernollet (1966 / French national, domiciled in Switzerland)

Member of the Board of Swissquote Group Holding Ltd since May 2015

Member of the Board of Swissquote Bank Ltd since November 2014

Chairman of the Audit & Risk Committee

### Educational Background

|      |   |
|------|---|
| 1986 | Institut d'Etudes Politiques, Grenoble, Bachelor of Science in Economics and Politics |
| 1986 | Institute of European Studies, Hull   |
| 1990 | EDHEC Business School, Lille, Master in Management                                    |
| 2002 | Columbia Business School, New York, Senior Executive program                          |

### Executive Experience

|             |  |
|-------------|--|
| 1990 - 1993 | Deloitte & Touche, Paris, France, Audit  |
| 1993 - 2010 | PricewaterhouseCoopers:<br>1993 – 1997 Geneva, Audit<br>1997 – 1999 New York, Audit, since 1998 Senior Manager<br>1999 – 2010 Geneva, Audit, since 2001 Partner and Business Unit Leader |
| 2010 - 2012 | EFG International AG, Chief Financial Officer  |
| Since 2012  | Edmond de Rothschild, Switzerland:<br>2012 – May 2015 Group Chief Financial Officer, then Chief Audit Executive<br>Since June 2015 Group Chief Risk Officer                              |

### Previous Board Mandates

|             |  |
|-------------|--|
| 2010 – 2012 | EFG Private Bank Ltd, London, Member of the Audit & Risk Committee         |
| 2013 – 2014 | Edmond de Rothschild (Europe), Luxembourg, Chairman of the Audit Committee |

### Current Board Mandates

|            |   |
|------------|---|
| Since 2014 | Swissquote Bank Ltd, Member of the Board  |
| Since 2015 | Swissquote Group Holding Ltd, Member of the Board   |
| Since 2015 | Edmond de Rothschild Real Estate SICAV, Chairman of the Board   |
| Since 2015 | Edmond de Rothschild Asset Management (Suisse) SA, Member of the Board and Chairman of the Audit and Risk Committee |
| Since 2015 | Edmond de Rothschild Pension Fund, Chairman of the Board  |

Jean-Christophe Pernollet has not held official functions or political posts in 2016. With the exception of the above-mentioned activities, he has no significant business connections with the Company or one of the Company's subsidiaries.

# Corporate Governance Report 2016

## Dr Beat Oberlin (1955 / Swiss national, domiciled in Switzerland)

Member of the Board of Swissquote Group Holding Ltd since May 2016

Member of the Board of Swissquote Bank Ltd since May 2016

Member of the Nomination & Remuneration Committee

### Educational Background

|      |   |
|------|---|
| 1979 | Licentiate in Law, University of Basel                  |
| 1982 | Attorney at Law and notary, admitted to the Bar         |
| 1989 | Doctorate in Law, University of Basel                   |
| 1999 | Stanford Business School, Stanford CA, Senior Executive |

### Executive Experience

|             |   |
|-------------|---|
| 1982 - 1994 | SBC, Various assignments  |
| 1994 - 2004 | UBS, Head of Retail and Head of Corporate Clients, Chief of Staff, Head of Market and Sales Management Business Banking Switzerland |
| 2004        | Basellandschaftliche Kantonalbank, Designated CEO   |
| 2005 - 2016 | Basellandschaftliche Kantonalbank, Chairman of the Executive Board  |

### Previous Board Mandates

|             |  |
|-------------|--|
| 2005 - 2016 | Association of Swiss Cantonal Banks, Member of the Board |
| 2005 - 2016 | Basel Bank Association, Member of the Board              |

### Current Board Mandates

|            |  |
|------------|--|
| Since 2005 | Chamber of Commerce of the two Basel Cantons (HKBB), Member of the Board   |
| Since 2011 | St. Clara Spital Group, Member of the Board  |
| Since 2013 | Member of the panel of experts appointed by the Federal Council for the "Advancement of Financial Centre Strategy" and its successor "Advisory Board for the Future of the Financial Center" |
| Since 2016 | Swissquote Group Holding Ltd, Member of the Board  |
| Since 2016 | Swissquote Bank Ltd, Member of the Board   |

Dr Beat Oberlin has not held official functions or political posts in 2016. With the exception of the above-mentioned activities, he has no significant business connections with the Company or one of the Company's subsidiaries.

# Corporate Governance Report 2016

## 3.2 Other activities and vested interests

None of the Board members has activities or vested interests (as defined in the SIX Swiss Exchange regulations) other than the ones described in section 3.1.

## 3.3 Number of permitted activities

Pursuant to Art. 16 Para. 4 of the Aol, the number of mandates held in superior governing or administrative bodies of legal entities outside the Company and its affiliates, which must be registered with the Swiss Commercial Register or a comparable foreign register, is limited for members of the Board to fifteen mandates held in business undertakings, a maximum of four of which may be in listed companies, and to five mandates held in other legal entities such as foundations and associations. Mandates held in different legal entities of one and the same single group of companies or mandates on behalf of a group or legal entity shall be counted as one mandate. Limits may be exceeded for a short-term period of time, but by no more than one third of the number of permitted mandates per above-mentioned category.

## 3.4 Elections and terms of office

The Board must have a minimum of three members elected at the General Meeting of Shareholders. The term of office ends at the next Ordinary General Meeting. The Board members are eligible for re-election. The chairperson is elected at the General Meeting until the next Ordinary General Meeting.

The Board was always composed of non-executive members. The Board acts at the same time as the Board of Directors of the Bank.

The time of the first election of the current Board members is mentioned in section 3.1.

## 3.5 Internal organisational structure

### 3.5.1 Generalities

The operating of a bank in Switzerland requires, inter alia, a proper organisation and a clear segregation between the duties and responsibilities of the Board and of the Executive Management.

The Group's internal regulation framework consists of a cohesive set of by-laws, regulations and policies that is organised with respect to the level of competence required for adopting new regulations and / or amending existing ones. The various levels of competence are the following:

- ▶ both the General Meeting and FINMA;
- ▶ the General Meeting;
- ▶ both the Board and FINMA;
- ▶ the Board;
- ▶ the Executive Management; and
- ▶ the Management.

The level of competence for making decisions in the Company (including according to levels of financial materiality) is set forth in the Organisation Regulations and other internal regulations and is summarised in the Regulation relating to responsibilities and financial powers.

After each Ordinary General Meeting, where all Board members and the Chairman are elected, the Board appoints its Secretary. The Board may form one or several advisory committees, which consist of members of the Board. The Committees are in charge of proposing board resolutions to the full Board with respect to specific matters. In 2016, there were two such Committees at the level of the Group: the Audit & Risk Committee and the Nomination & Remuneration Committee. Such Committees must report to the Board on a regular basis, but at least once per quarter for the Audit & Risk Committee and twice a year for the Nomination & Remuneration Committee. Further, certain functions of the Board are delegated to the Chairman.

New Board members are introduced to their new function through a specific programme including presentations of the firm-wide considerations by the Executive Management and presentations by the Managers of each department. Further, new Board members receive a manual compiling the Company's internal regulations and by-laws.

# Corporate Governance Report 2016

## 3.5.1 Generalities (continued)

The Board meets as often as required, but at least four times a year. The Board and the Committees plan and coordinate their activities in accordance with a yearly planning schedule that covers all matters requiring the Board's attention and thus ensures that the Board's activity is compliant with applicable laws and regulations.

In 2016, the Board met 9 times (six physical meetings and three conference calls), out of which one meeting was a two-day strategy session and another one, the so-called Annual Conference on Risks (see section 3.7). In average, a physical meeting lasts for four to five hours and a conference call lasts for one to two hours. On various occasions, decisions were taken by means of circular resolutions and ratified at the next Board meeting.

## 3.5.2 Functions of the Board of Directors

The Board acts as the ultimate direction of the Company and has the power to decide on all matters that are not vested in the General Meeting or in any other body by law or pursuant to the Aol or the Organisation Regulations. It is the Board's responsibility to perform, inter alia, the following functions:

- ▶ Define the strategy and the objectives of the Company and approve the implementation or cessation of business activities;
- ▶ Establish the overall organisation and, in particular, approve the organisation chart of the Group based on the proposal of the Executive Management;
- ▶ Decide on the appointment, suspension and dismissal of the Executive Management and of the other signatories of the Company;
- ▶ Appoint the Chairmen of the Committees;
- ▶ Based on the proposal of the Nomination & Remuneration Committee, submit to the General Meeting proposals of maximum aggregate amounts of remuneration for the Board and the Executive Management and decide, within the framework of the General Meeting's resolutions, on the remuneration of the Board and the Executive Management;
- ▶ Based on proposals of the Audit & Risk Committee, determine the applicable accounting standards, the principles governing the internal control system (including for what regards the financial control), the financial planning and the financial disclosure policy, as well as approve the capital planning and the annual budget;
- ▶ Approve the Annual Financial Statements and regular interim financial reporting prior to their disclosure and after clearance by the Audit & Risk Committee;
- ▶ Prepare the Annual Report, the Corporate Governance Report and the Remuneration Report;
- ▶ Prepare the General Meeting (including the invitation to the General Meeting) and execute the General Meeting's resolutions;
- ▶ Decide on the nomination, renewal or dismissal of the Auditors and of the internal auditor;
- ▶ Supervise the Executive Management, in particular with regard to compliance with laws, the Aol, the internal directives and the Board's instructions;
- ▶ Approve the organisation of the risk management, the risk appetite and the key risk management principles, which must be appropriate to the size, the complexity and the risk profile of the Group;
- ▶ Pass resolutions in connection with a capital increase pursuant to Art. 651a, 652g, 653g CO and make decisions pursuant to Art. 634a Para. 1 CO (contributions on shares not fully paid-in) and 651 Para. 4 CO (increase of share capital in the case of authorised capital);
- ▶ Approve mass dismissal of employees in the sense of Art. 335d CO or similar foreign regulations;
- ▶ Approve those matters for which the Executive Management have to seek approval by the Board, in particular, through the approval of regulations applicable to the Group; and
- ▶ Notify the competent authority in case of over-indebtedness.

The Board's approval is also required for specific transactions that do not fall under the ordinary business activities and / or which financially exceed defined thresholds.

Board members may not act alone on behalf of the Company and may not give instructions on their own, except where the Aol, the internal regulations or a resolution of the Board provides otherwise.

## 3.5.3 Functions delegated to the Chairman

The Chairman performs, inter alia, the following functions:

- ▶ Chair the meetings of the Board and the General Meeting of Shareholders; and
- ▶ Represent the Board vis-à-vis the public at large, public officials and the shareholders.

# Corporate Governance Report 2016

## 3.5.4 Rules governing decisions

The majority of members shall be present for the Board to be quorate. Resolutions of the Board are passed by a majority of the votes cast by the members present. In the event of a tie, the Chairman has the casting vote. For decisions that are taken in relation to a capital increase (ordinary, conditional or authorised increase), including the related modifications of the Articles of Incorporation, the quorum is also achieved when a single member of the Board is present.

For further information on quorum and decisions, reference is made to the Aol (in particular Art. 17).

## 3.5.5 Audit & Risk Committee

Board members on the Committee: Jean-Christophe Pernellet (Chairman), Martin Naville, Adrian Bult.

The Audit & Risk Committee's primary function is to assist the Board in fulfilling its oversight responsibilities defined by law, the Aol, internal regulations or otherwise with respect to financial reporting and risk management. The Audit & Risk Committee has no decision-making powers. It only acts in an advisory or preparatory capacity.

In terms of financial reporting, the oversight responsibilities of the Audit & Risk Committee include, inter alia, the following:

- ▶ Monitor and assess the overall integrity of the financial statements;
- ▶ Monitor the adequacy of the financial accounting, financial planning and reporting processes and the effectiveness of internal controls over financial reporting;
- ▶ Monitor processes designed to ensure compliance by the Group and its entities in all significant respects with legal and regulatory requirements, including disclosure controls and procedures, and the impact (or potential impact) of developments related thereto;
- ▶ Make recommendations to the Board as to the application of accounting standards;
- ▶ Inform the Board of the result of the above-mentioned tasks and make a recommendation as to whether the financial statements should be submitted to the General Meeting;
- ▶ Assess the qualifications, independence and performance of the Auditors; and
- ▶ Review the risk analysis, the audit plan and all reports from the Auditors and supervise the actions taken by the Executive Management following the audit results.

In terms of risk management, the oversight responsibilities of the Audit & Risk Committee include, inter alia, the following:

- ▶ Make recommendations to the Board as to the Group's risk management framework, in particular the risk capacity, the risk appetite and the risk tolerance;
- ▶ Monitor and assess the risk management framework, including the internal control systems of the Company and of the Bank;
- ▶ Oversee that the Executive Management has identified and assessed all the significant risks that the Group and its entities face and has established a risk management infrastructure capable of addressing those risks;
- ▶ Oversee, in conjunction with the Board and, where applicable, other board-level committees, risks, such as strategic, credit, market, liquidity, operational, reputational, and other risks;
- ▶ Assess the qualifications, independence and performance of the internal auditor;
- ▶ Review the internal auditor's risk assessment, audit plans and all their reports and supervise the actions taken by the Management following the audit results; and
- ▶ Make recommendations to the Board as to the nomination, renewal or dismissal of the Auditors and of the internal auditor.

The Audit & Risk Committee meets at least once per quarter and, in 2016, it met five times (four physical meetings and one conference call). The average length of the meetings was 2 hours. At each meeting held in 2016, the Executive Management was present. The internal auditor and the Auditors were present at four of these meetings. The other Board members attended the meetings as well. No external counsels attended the meetings.

# Corporate Governance Report 2016

## 3.5.6 Nomination & Remuneration Committee

Board members on the Committee: Markus Dennler (Chairman), Mario Fontana, Beat Oberlin.

The Nomination & Remuneration Committee meets at least twice a year and, in 2016, it met four times. The average length of the meetings was 1 hour. At each meeting held in 2016, the Executive Management was present, except where there was a review of the personal situation of the members of the Executive Management. The other Board members attended the meetings as well. No external counsels attended the meetings.

Further details on the Nomination & Remuneration Committee are provided in the Remuneration Report.

## 3.6 Definition of areas of responsibility

All executive functions within the Group not reserved to the Board or to the Chairman are delegated to the Executive Management. The Executive Management is responsible for the implementation of the business strategies approved by the Board and for the compliance of the operations with the risk management policies approved by the Board. Further, the Executive Management ensures the maintenance and development of a corporate framework as embedded in the corporate values approved by the Board. The Executive Management is accountable to the Board for the Company's results.

The Executive Management in particular has the responsibility to perform the following functions:

- ▶ Implement the strategy decided by the Board and execute its decisions and instructions;
- ▶ Prepare the items to be discussed by the Board;
- ▶ Ensure that the internal organisation of the Company meets the needs of its business activities and its development;
- ▶ Propose the organisation chart to the Board;
- ▶ Hire the employees and set their employment conditions according to the guidelines issued by the Board;
- ▶ Prepare the list of signatories for Board approval;
- ▶ Supervise accounting, financial control and financial planning;
- ▶ Prepare the budget for Board approval;
- ▶ Prepare the reporting to the attention of the Board;
- ▶ Prepare the financial statements for Board approval and publish them;
- ▶ Ensure compliance with laws and regulations, in particular for what regards capital adequacy requirements, liquidity, risk diversification and privileged deposits and monitor the related developments;
- ▶ Delegate competences to committees; and
- ▶ Draft the internal regulations for Board approval.

The delegation process to the General Management (i.e. the "directeurs" and "vice-directeurs") is documented in the internal regulations and the Board has an overview of the delegation process through the summary provided in the Regulation relating to responsibilities and financial powers.

The following business functions report to:

- ▶ Marc Bürki: eForex Private Clients & Partners / eForex Trading & Market Strategy / Sales eTrading Private Clients & Partners / Marketing / White Label and Institutional eForex Sales
- ▶ Paolo Buzzzi: Back Office & Banking Applications / Information Technology & Security / Product Development / Project Management / Quantitative Asset Management / Software Development
- ▶ Michael Ploog: ALM & Treasury / Customer Care / Facility Management / Finance, Reporting & Tax / Trading
- ▶ Executive Management: Controlling & Risk / Human Resources / Legal & Compliance / all foreign entities

The Executive Management is further assisted by committees consisting of members of the General Management that carry out coordination and reporting functions and make recommendations to the Executive Management. At least one member of the Executive Management sits in each committee.

# Corporate Governance Report 2016

## 3.7 Information and control instruments vis-à-vis the Executive Management

The Group operates a comprehensive management information system that provides the Executive Management with all data required to manage and control the business and to report relevant information to the Board.

The Board periodically reviews the nature of the reporting prepared by the Executive Management and the frequency of the respective reports. The reporting may be summarised as follows:

- ▶ Quarter 1 and 3 reporting includes a full set of Condensed Consolidated Interim Financial Statements and Interim Statutory Financial Statements (established for internal purposes only), as well as a financial report examining the key financial matters, including budgets, and capital management issues. A risk and compliance report summarises the key risk issues, new or amendments to internal regulations that require Board approval, and assesses the changes in the legislative and regulatory environment. Furthermore, the Board receives summary reports on key human resources and remuneration issues as well as an update on important projects, statistics on revenue developments and comments on the operations and the business environment;
- ▶ Half-yearly reporting covers the same scope of reporting as the quarter 1 and 3 reporting. However, the Condensed Consolidated Interim Financial Statements for the half-year are reviewed by the Auditors and serve as basis for the half-year press release; and
- ▶ Yearly reporting covers the same scope as the half-year report and includes the Audited Consolidated and Statutory Financial Statements.

Once a year the Board organises a conference dedicated to an in-depth review of the risks, internal control systems and risk management processes (the "Annual Conference on Risks"). The Executive Management and the respective heads of Legal & Compliance, Controlling & Risk, Finance, Reporting & Tax, Information Technology & Security and ALM & Treasury provide the Board with their own risk assessment and their recommendations with respect to the enhancement of the internal control systems and risk management processes.

Ad hoc reporting is addressed to the Board when required by the circumstances or upon request by the Board. Further, the Executive Management must immediately report to the Board material matters outside the ordinary course of business.

The Executive Management attends all meetings of the Board and of the Committees, unless otherwise requested by the Board or the concerned Committees.

The function of internal auditor, reporting directly and independently to the Board of Directors of the Bank, is outsourced to BDO SA, Geneva, which is a member of the Institute of Internal Auditing Switzerland. The duties of the internal auditor are governed by the Ordinance on Banks and Savings Banks, FINMA Circular 2008/24 on supervision and internal control (which is to be replaced by FINMA Circular 2017/1 Corporate governance - banks) and the applicable internal regulations. The internal auditor analyses the compliance of business activities with legal and regulatory requirements and applicable internal regulations. The internal auditor carries out the audit plan approved by the Board and reports its significant findings and recommendations in writing. It also executes ad hoc missions and investigations upon request of the Board. The internal auditor provides the Board with a specific half-year summary report that reviews, inter alia, the progress made by the Company in implementing the recommendations made in earlier reports and includes relevant information with respect to the execution of the audit plan. The internal auditor participates in the Annual Conference on Risks and provides the Board with its own assessment of the risks, internal control systems and risk management processes. The Board formally takes note of the reports of the internal auditor and reviews the conclusions and comments made by the Audit & Risk Committee, which examines the reports in detail.

In terms of risk management, the Company complies, inter alia, with the requirements of FINMA Circular 2008/24 on supervision and internal control. In particular the Company operates an integrated risk management system called the "Core Manual", which deals with the risks related to a banking activity (credit risk, settlement risk, reputation risk, operational risk, interest risk, market risk, etc.). This system seeks to evolve with due care to the stage of developments of the Group. The Core Manual addresses, inter alia, the following matters:

- ▶ Objectives of the document, organisation of the Company as well as duties and responsibilities pertaining to the various organisation levels and the functioning of the committees set up by the Executive Management;
- ▶ Risk identification process; and
- ▶ Key procedures to control and / or mitigate risks.

# Corporate Governance Report 2016

## 4. Executive Management

### 4.1 Members of the Executive Management

As at 31 December 2016, the Executive Management consisted of Marc Bürki, Chief Executive Officer, Paolo Buzzi, Chief Technology Officer and Michael Ploog, Chief Financial Officer. Marc Bürki and Paolo Buzzi are founding shareholders of the Company and are major shareholders as at 31 December 2016. All three members have been in their current positions at this level of the Group since its formation in 1999. On 1 January 2017, Morgan Lavanchy, Chief Legal Officer, and Gilles Chantrier, Chief Risk Officer, joined the Executive Management.

#### **Marc Bürki (1961 / Swiss national, domiciled in Switzerland)**

Chief Executive Officer (CEO) of Swissquote Group Holding Ltd and Swissquote Bank Ltd  
Founding partner of Swissquote Group Holding Ltd

#### Educational Background

1982 – 1987 Swiss Federal Institute of Technology (EPFL), Lausanne, Degree in electrical engineering

#### Professional Experience

1987 – 1990 European Space Agency, Noordwijk, Netherlands, Telecommunication specialist  
1990 – 2002 Marvel Communications Ltd, Co-Managing Director  
Since 1999 Swissquote Group Holding Ltd, Chief Executive Officer  
Since 2002 Swissquote Bank Ltd, Chief Executive Officer

#### Current Board Mandates

Since 2012 Swissquote MEA Ltd, Dubai, UAE, Chairman of the Board  
Since 2014 Swissquote Ltd, London, UK, Chairman of the Board  
Since 2014 Swissquote Asia Ltd, Hong Kong, Chairman of the Board  
Since July 2016 ETH, Member of the Board (entered into function on 1 January 2017)

#### **Paolo Buzzi (1961 / Swiss national, domiciled in Switzerland)**

Chief Technology Officer (CTO) of Swissquote Group Holding Ltd and Swissquote Bank Ltd  
Founding partner of Swissquote Group Holding Ltd

#### Educational Background

1983 – 1988 Swiss Federal Institute of Technology (EPFL), Lausanne, Degree in micro-engineering

#### Professional Experience

1988 – 1990 Rolm Systems, Santa Clara, USA, Software Engineer and New Technology Integration Engineer  
1990 – 2000 Marvel Communications SA, Co-Managing Director  
2000 – 2002 Swissquote Info, Chief Executive Officer  
Since 1999 Swissquote Group Holding Ltd, Chief Technology Officer  
Since 2002 Swissquote Bank Ltd, Chief Technology Officer

#### Current Board Mandates

Since 2002 Swissquote Trade Ltd, Gland, Switzerland, Chairman of the Board  
Since 2012 Swissquote MEA Ltd, Dubai, UAE, Member of the Board  
Since 2012 Swissquote Financial Services (Malta) Limited, Mriehel, Malta, Chairman (2012 - March 2015: Vice-Chairman)

# Corporate Governance Report 2016

## **Michael Ploog (1960 / Swiss national, domiciled in Switzerland)**

Chief Financial Officer (CFO) of Swissquote Group Holding Ltd and Swissquote Bank Ltd

### Educational Background

1980 - 1983 University of Lausanne, Hautes Etudes Commerciales  
1986 - 1990 Swiss Institute of Certified Public Accountant, Lausanne, Swiss Certified Public Accountant

### Professional Experience

1983 – 1985 University of Lausanne, Chair of Financial and Cost Accounting, Graduate Teaching Assistant  
1986 – 1998 Deloitte, Senior Manager since 1995  
1986 – 1994 Geneva, Audit  
1994 – 1996 London, Corporate Finance  
1996 – 1998 Lausanne, Management Advisory Services  
1998 – 1999 PricewaterhouseCoopers, Lausanne, Senior manager  
Transaction Services Group & Corporate Finance  
Since 1999 Swissquote Group Holding Ltd, Chief Financial Officer  
Since 2000 Swissquote Bank Ltd, Chief Financial Officer

### Current Board Mandates

Since 1999 Swissquote Trade Ltd, Gland, Switzerland, Member of the Board  
Since 2012 Swissquote MEA Ltd, Dubai, UAE, Vice-Chairman of the Board

### Other Mandates

Since 1999 Swissquote Group Holding Ltd, Secretary of the Board  
Since 2006 Swissquote Bank Ltd, Secretary of the Board  
Since 2010 Foundation Swissquote 3<sup>rd</sup> Pillar, Chairman  
Since 2012 FIT - Fondation pour l'Innovation Technologique, member of the Selection Committee

## **Morgan Lavanchy (1979 / Swiss national, domiciled in Switzerland)**

Chief Legal Officer (CLO) of Swissquote Group Holding Ltd and Swissquote Bank Ltd

### Educational Background

1997 - 2002 Law School of the University of Neuchâtel, Master in Law  
2002 - 2004 Law Schools of the Universities of Lausanne and Geneva,  
Master of Advanced Studies (LL.M.) in Business Law

### Professional Experience

2003 - 2006 Swissquote Bank Ltd, Legal Officer  
2006 - 2016 Swissquote Bank Ltd, Head Legal & Compliance  
Since 2017 Swissquote Group Holding Ltd / Swissquote Bank Ltd, Chief Legal Officer

### Mandates

Since 2010 Foundation Swissquote 3<sup>rd</sup> Pillar, Secretary

# Corporate Governance Report 2016

**Gilles Chantrier (1972 / Swiss and French national, domiciled in Switzerland)**  
Chief Risk Officer (CRO) of Swissquote Group Holding Ltd and Swissquote Bank Ltd

## Educational Background

1997 - 2000 School of Business Administration (HEG), Lausanne, Bachelor - B.Sc. in Economics

## Professional Experience

1995 - 1997 Infogest SA, Accountant  
2000 - 2002 Swissquote Bank Ltd, Deputy Head Accounting  
2002 - 2003 Swissquote Bank Ltd, Head Backoffice  
2003 - 2005 Swissquote Bank Ltd, Head Internal Controlling  
2005 - 2013 Swissquote Bank Ltd, Head Reporting & Controlling  
2014 - 2016 Swissquote Bank Ltd, Head Controlling & Risk  
Since 2017 Swissquote Group Holding Ltd / Swissquote Bank Ltd, Chief Risk Officer

## Current Board Mandates

Since 2014 Swissquote Ltd, United Kingdom, Board Member  
Since 2014 Swissquote MEA Ltd, Dubai, UAE, Board Member  
Since 2014 Swissquote Asia Ltd, Hong Kong, Board Member

## Other Mandates

Since 2010 Foundation Swissquote 3<sup>rd</sup> Pillar, Member of the Board

## 4.2 Other activities and vested interests

None of the members of the Executive Management has activities and vested interests (as defined in the SIX Swiss Exchange regulations) other than the ones described in section 4.1.

## 4.3 Number of permitted activities

Pursuant to Art. 16 Para.4 of the Aol, the number of mandates held in superior governing or administrative bodies of legal entities outside the Company and its affiliates, which must be registered with the Swiss Commercial Register or a comparable foreign register, is limited for members of the Executive Management to four mandates held in business undertakings, a maximum of one of which may be in a listed company, and to five mandates held in other legal entities such as foundations and associations. Mandates held in different legal entities of one and the same single group of companies or mandates on behalf of a group or a legal entity shall be counted as one mandate. Limits may be exceeded for a short-term period of time, but by no more than one third of the number of permitted mandates per above-mentioned category.

## 4.4 Management contracts

The Company has not entered into management contracts with third parties.

# Corporate Governance Report 2016

## 5. Remuneration, shareholding and loans

Details on the remuneration, shareholding and loans are provided in the Remuneration Report.

## 6. Shareholders' participation

### 6.1 Generalities

Shareholders in Swiss corporations limited by shares have extended protective and participatory rights. Protective rights include the right of inspection and information (Art. 696, 697 CO), the right to a special audit (Art. 697a CO), the right to call a General Meeting (Art. 699 Para. 3 CO), motion rights (Art. 699 Para. 3 CO), the right of challenging resolutions of the General Meeting (Art. 706 CO) and the right to instigate liability proceedings (Art. 752 ff CO). Participatory rights primarily include the right to participate in General Meetings of Shareholders, the right to express an opinion and voting rights (Art. 694 CO). The Ordinance against Excessive Compensation in Listed Corporations comprises additional rights for the shareholders, for what regards remuneration. The General Meeting annually elects the independent proxy; the term of office of the proxy ends at the next Ordinary General Meeting. For further information on the changes introduced by this ordinance, reference is made to the Remuneration Report.

The General Meeting is the highest body of the Company. It has the following non-transferable powers to:

- ▶ establish and amend the Aol;
- ▶ annually elect the members of the Board, the Chairman of the Board, the members of the Remuneration Committee, the independent proxy and the Auditors;
- ▶ approve the Annual Report and the Consolidated Financial Statements;
- ▶ approve the Annual Financial Statements and adopt resolutions concerning the allocation of the disposable profit, in particular set the dividend as well as the profit-sharing bonus;
- ▶ discharge the members of the Board;
- ▶ approve the remuneration of the Board and the Executive Management in accordance with Art. 14<sup>bis</sup> of the Aol; and
- ▶ pass resolutions on all matters reserved to it by law or the Aol.

For further information on the General Meeting, reference is made to the Aol (in particular Art. 9, 10 and 11).

### 6.2 Voting-rights and representation restrictions

Pursuant to Art. 12 of the Aol, every person duly entered in the share register as a shareholder with voting rights is entitled to exercise the rights attached to the registered shares. Shareholders may have their shares represented at the General Meeting by a legal representative or, with a written power of attorney, by a third party, who is not required to be a shareholder of the Company. The Board shall decide on the requirements regarding powers of attorney and instructions; powers of attorney without qualified electronic signatures may also be recognised. The final decision on the validity of powers of attorney rests with the Chairman of the Board.

Pursuant to Art. 7 of the Aol, upon request, acquirers of registered shares will be entered in the share register as shareholders with voting rights if they expressly declare that they have acquired the registered shares in their own name and for their own account. If this requirement is not satisfied, the person in question will be entered in the share register as a shareholder without voting rights. The Aol do not contain any express provision for granting exceptions to this limitation.

The Aol do not contain any provisions on abolishing voting-rights restrictions; the general rules of the Swiss Code of Obligations apply.

Specific rules on the issue of instructions to the independent proxy or on the electronic participation in the General Meeting are set by the Board and communicated to shareholders in the invitation to the General Meeting.

# Corporate Governance Report 2016

## 6.3 Quorums required by the Articles of Incorporation

Where a General Meeting has been convened in accordance with the provisions of the law and the Aol, decisions may be taken, irrespective of the number of shares represented or shareholders present at the General Meeting. Pursuant to Art. 12 of the Aol, the General Meeting is therefore quorate regardless of the number of shares represented.

Except when law and / or the Aol provide otherwise, the General Meeting passes resolutions and conducts elections by an absolute majority of the voting rights validly represented. Elections require an absolute majority in the first round, and, if this is not achieved, a relative majority is sufficient in the second round. In the event of a tie, the Chairman of the Board has the casting vote. As a rule, votes are cast electronically. If the electronic voting system fails, an open vote shall be held unless one or more shareholders who alone or together represent at least 5% of the voting rights request a secret ballot.

Pursuant to Art. 14 of the Aol, a resolution of the General Meeting adopted by at least two thirds of the votes represented and an absolute majority of the nominal values of the shares represented is required for:

- ▶ a change to the Company's purpose;
- ▶ the introduction of preferred voting shares;
- ▶ the restriction of the transferability of registered shares;
- ▶ an authorised or conditional capital increase;
- ▶ a capital increase by recourse to equity, against contribution in kind or for the acquisition of assets and the granting of special benefits;
- ▶ the restriction or revocation of subscription rights;
- ▶ the relocation of the Company's registered office; and
- ▶ the dissolution of the Company.

## 6.4 Convocation of the General Meeting of Shareholders

The General Meeting is convened by the Board in the normal course of business or otherwise by the Auditors or the liquidator.

One or more shareholders of the Company may request the convocation of a General Meeting if all of the following conditions are satisfied:

- ▶ The shareholder or shareholders together hold at least 10% of the nominal value of the share capital entered in the commercial register on the day the request is received; and
- ▶ The shareholder or shareholders submit their request in writing and, at the same time, arrange for shares with a nominal value of at least 10% of the share capital to be blocked by the depository, the latter being required to issue confirmation that said shares have been blocked. The shares shall remain blocked until the day after the General Meeting.

For further information on the convocation of the General Meeting, reference is made to the Aol (in particular Art. 10 and 11).

## 6.5 Inclusion of items on the agenda

Pursuant to Art. 11 of the Aol, no resolutions may be passed on motions relating to agenda items that were not duly announced, except for motions by a shareholder to convene an extraordinary General Meeting, to carry out a special audit or to elect an auditor.

One or more shareholders of the Company may request that an item be included on the agenda if all of the following conditions are satisfied:

- ▶ The shareholder or shareholders together hold at least 5% of the nominal value of the share capital entered in the commercial register on the day the request is received;
- ▶ The shareholder or shareholders submit their request in writing and, at the same time, arrange for shares with a nominal value of at least 5% of the share capital to be blocked by the depository, the latter being required to issue confirmation that said shares have been blocked. The shares shall remain blocked until the day after the General Meeting; and
- ▶ The request is sent by registered letter to the attention of the Board to the registered office of the Company and shall arrive there at least 45 days prior to the General Meeting.

For further information on the agenda, reference is made to the Aol (in particular Art. 11).

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## 6.6 Entries in the share register

Pursuant to Art. 6 of the Aol, the Company maintains a share register in which the names and addresses, respectively the corporate name and registered office of the owners of the registered shares and any usufructuaries are entered into. The Board has mandated ShareCommService AG, Europastrasse 29, CH-8152 Glattbrugg, to maintain the Company's share register.

Pursuant to Art. 7 of the Aol, upon request, acquirers of registered shares will be entered in the share register as shareholders with voting rights if they expressly declare that they have acquired the registered shares in their own name and for their own account. If this requirement is not satisfied, the person in question will be entered in the share register as a shareholder without voting rights. For practical reasons, no new registration is made in the share register for a period up to 20 days before a General Meeting. Shareholders who sell their shares prior to the General Meeting are no longer entitled to exercise their votes.

For further information on entries in the share register, reference is made to the Aol (in particular Art. 6 and 7).

## 7. Changes of control and defence measures

### 7.1 Duty to make an offer

Art. 135 FMIA states that anyone who directly, indirectly or acting in concert with third parties acquires equity securities which, added to the equity securities already owned, exceed the threshold of 33% of the voting rights of a target company, whether exercisable or not, must make an offer to acquire all listed equity securities of that company. Art. 132 Para. 1 and 2 FMIA outlines the Board's obligation, in the event of a public takeover bid, to provide shareholders with the information they need in order to evaluate the offer and also prohibits the Board from taking defensive measures. No significant alteration in the assets or liabilities of the target company is permitted as of the time of the bid, aside from transactions that have already been approved at the General Meeting.

The Aol do not include any opting out or opting up clause.

### 7.2 Clauses on changes of control

None of the members of the Board, the members of the Executive Management or other employees benefit from change of control clauses.

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## 8. Auditors

### 8.1 Generalities

The main duties of the Auditors are to report to the General Meeting the results of their audit, the objective of which is to verify that the Annual Financial Statements, the Annual Report and the proposed appropriation of retained earnings comply with the law and the Aol.

The Auditors recommend the approval, with or without qualification, or the rejection of the Annual Financial Statements. Further, when the Company is required to deliver Consolidated Financial Statements, the Auditors must report on the compliance with the law and the accounting principles adopted for the consolidation. Auditors must be present at Ordinary General Meetings, unless a unanimous resolution of the shareholders provides otherwise.

The Consolidated Financial Statements and the Statutory Financial Statements of the Company have been audited by PricewaterhouseCoopers SA since 1999, which has been re-elected each year since then. Since 2014, Beresford Caloia has been responsible for the audit of the Group.

The Auditors must be independent from the Board and from the shareholders. Except for tax matters, audit-related services and other services that can generally only be provided by the Auditors (e.g. reviews of documents filed with FINMA), the Group uses consultants who are independent from the Auditors.

In addition to their audit opinions, the Auditors are requested to provide the Audit & Risk Committee with specific information such as their audit findings, comments on accounting issues and auditing fee proposals.

### 8.2 Duration of the mandate and term of office of the lead auditor

The Auditors are elected for one-year terms by the General Meeting and are eligible for re-election. They were re-elected on 13 May 2016. The rotation frequency of the lead auditor is maximum 7 years.

### 8.3 Auditing fees and additional fees

The total fees charged by the Auditors to the Group in 2016 are analysed as follows:

| in CHF                 | 2016           | 2015           |
|------------------------|----------------|----------------|
| Auditing fees          | 441,700        | 441,700        |
| Additional fees:       |                |                |
| Audit-related services | 154,500        | 31,429         |
| Tax                    | 71,889         | 73,000         |
| <b>Total</b>           | <b>668,089</b> | <b>546,129</b> |

Auditing fees are agreed upon in advance for the audits of the Consolidated and Statutory Financial Statements of the Group companies, as well as for the regulatory audit of the Bank. They can be adjusted in the course of the relevant year under special circumstances.

Audit-related services usually mainly consist of reports examining the Group's compliance with provisions of agreements or private regulations, such as the regulations related to the Bank's membership to SIX Swiss Exchange. The increase between 2015 and 2016 is related to additional services provided by the Auditors upon FINMA's request, including services related to the Swiss banking industry-wide audit on the implementation of the Foreign Account Tax Compliance Act (FATCA).

Tax-related additional fees mainly cover the assistance provided to the Group when filing local tax returns.

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## 8.4 Informational instruments pertaining to the Auditors

The Auditors closely interact with the Audit & Risk Committee and are usually invited to its meetings. In 2016, the Auditors met four times with the Audit & Risk Committee.

Year-round, the Auditors issue, inter alia, the following documents:

- ▶ planning of the statutory and consolidated financial audits with respect to the Statutory and Consolidated Financial Statements of the Company, respectively Statutory Financial Statements of the Bank. The document includes, inter alia, information on (i) the changes in the Group, (ii) the developments in accounting standards, (iii) the Auditors' risk assessment, (iv) the audit relating to the internal control system, (v) the coordination of the Auditors' activities with the internal auditor, (vi) the estimated fees and (vii) the timeline of the audit activities;
- ▶ information on the regulatory audit, which includes, inter alia, information on (i) the changes in the regulatory environment and accounting principles, (ii) the Auditors' risk analysis pursuant to FINMA Circular 2013/3 on auditing and the audit strategy, (iii) the estimated fees and (iv) the timeline of the audit activities;
- ▶ review report to the Audit & Risk Committee and to the Board with respect to the Condensed Consolidated Interim Financial Statements;
- ▶ comprehensive report to the Audit & Risk Committee and to the Board with respect to the Statutory and Consolidated Financial Statements of the Company, respectively to the Board of Directors of the Bank with respect to the Statutory Financial Statements of the Bank. The document includes, inter alia, the Auditors' key findings regarding the accounting, the internal control system and the performance and results of the audit;
- ▶ regulatory audit report to FINMA, a copy of which is addressed, inter alia, to the Board and the Board of Directors of the Bank; and
- ▶ report to the General Meeting of the Company, respectively of the Bank, on the results of the audit of the Financial Statements. The document includes, inter alia, (i) the Auditors' opinion as to whether the Financial Statements should be approved with or without qualification, or rejected, (ii) information on the independence of the Auditors, (iii) a confirmation as to whether an internal control system exists or not and (iv) a confirmation as to whether the proposed appropriation of retained earnings complies with the law and the Aol.

The above-mentioned documents are commented on by the Auditors in meetings of the Audit & Risk Committee, except for the planning of the statutory and consolidated financial audits and information on the regulatory audit. Those are discussed at the Annual Conference on Risks, to which the members of the Audit & Risk Committee attend.

The Audit & Risk Committee also receives copies of the various reports issued by the Auditors within the framework of audit-related services, e.g. reports related to the Bank's compliance with the provisions of agreements or private regulations as described in section 8.3. This allows the Audit & Risk Committee to assess the work of the Auditors performed outside the standard audit services, in particular in terms of conflicts of interest.

Once a year, the Audit & Risk Committee reviews the qualification, independence and performance of the Auditors and assesses, inter alia, the level of expertise available, the adequacy of resources and the quality of the planning (in particular the coordination with the internal auditor). The Audit & Risk Committee assesses the Auditors' independence on the basis of the Auditor's related annual confirmation and on the Audit & Risk Committee's own assessment of the various reports addressed to its attention or of which it received a copy (including documents related to additional services). The Audit & Risk Committee also assesses whether the amount and trend in auditing fees appears reasonable. In this respect, changes to auditing fees must be justified by the Auditors in terms of marginal changes in volumes to be audited and / or complexity of the audit items.

Based on its annual assessment, the Audit & Risk Committee recommends to the Board to either propose the General Meeting to re-elect the Auditors or to start a process for the selection of new Auditors.

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## 9. Information policy

### 9.1 General principles

The Company's information policy aims primarily at promoting confidence, creating a better understanding of the Company's business and developing and maintaining realistic investor expectations.

The Company commits to providing timely and orderly information in accordance with the legal and regulatory requirements, in particular with the provisions of the SIX Swiss Exchange regulations on ad hoc publicity. The Company aims at providing the financial market with consistent, accurate and complete information evenly during profitable or difficult periods and ensures that the investment community has fair access to such information.

It is the Company's policy not to release detailed earnings projections, but it may provide certain guidance to the investment community for them to assess the Company and its business prospects.

As a general rule, material or price-sensitive information must be released promptly as soon as the main aspects of such information are established by the Company. However, the Company is permitted under the relevant regulatory provisions to postpone the release of material information, if the information concerns a plan or negotiation of the Company and its premature disclosure would prejudice the legitimate interest of the Company. In such case, the Company will take adequate measures to ensure the effective confidentiality of the information and to prevent insiders from trading on the basis of that information. The Company will adequately inform the investment community in cases where the information previously kept confidential is substantially leaked into the market.

The Company will generally avoid releasing material and price-sensitive information during trading periods of the Company's shares or shortly before opening of trading. If the information is to be released during normal trading hours of the SIX Swiss Exchange (9 a.m. to 5.30 p.m.) or less than 90 minutes before the opening of trading, the competent department (SIX Exchange Regulation) must be informed at least 90 minutes prior to the release of such information. In situations where it cannot be avoided that material information be disclosed during trading hours, the CEO and CFO must consider whether a request for a suspension of trading is appropriate. If material and non-public information is divulged unintentionally in a selective setting, such as analyst meetings or conference calls, which are not open to the investment community, the Company will publicly disclose such information promptly after the meeting or after it learns of the selective disclosure.

If the Company discovers that a statement made was, in fact, materially incorrect at the time it was disclosed, the Company will publicly issue a corrective statement of such incorrect statement as soon as the error is discovered. The Company will also issue in due time a corrective statement when new facts have emerged that make a previous disclosure false or misleading.

The Company does not comment on market rumours and speculations.

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## 9.2 Reporting and corporate calendar

### 9.2.1 Annual and interim reporting

Company results are published by media releases shortly after the Board approves them. Such media releases are followed by a media and analyst conference as well as optional call-in conferences. The media release, presentations made at call-in and press conferences, Annual Reports (including the Corporate Governance Report and the Remuneration Report) and Interim Consolidated Financial Statements are released on the Company website (<https://en.swissquote.com/company/investors>). Annual Reports, including the Corporate Governance Report and the Remuneration Report, are available in print format on request.

### 9.2.2 Corporate calendar

The dates of the publication of the annual and interim results as well as the dates of the Ordinary General Meeting and of any extraordinary General Meeting are published on the Company website (<https://en.swissquote.com/company/investors/agm>) and in media releases.

The Ordinary General Meeting generally takes place in April or May of each year and will, in 2017, take place on 12 May. The half-year reporting 2017 is scheduled on 8 August 2017.

## 9.3 Communication channels and contact addresses

Media releases (including ad hoc notices) and reports as well as other information made public are accessible on <https://en.swissquote.com/company/media/press-releases> in the section "Company". An e-mail service is available for subscription in the same section of the Company website and allows any interested party to automatically receive by e-mail all information made public by the Company.

Contact addresses can be found after the Remuneration Report.