

# Corporate Governance Report 2016

## 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 AoI.

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.