

Survey on Executive Remuneration 2008: Executive Summary

For the fourth year in a row, Ethos has conducted a study of executive pay at Switzerland's main listed companies. The study analyses 47 companies listed on the SMI® and SMIM® Indexes on 31 December 2008. For the first time, the analysis of the amounts paid and the pay structure has been divided into two separate groups, companies from the financial sector and those from other sectors, to take account of the effects of the financial crisis.

The study is divided into five sections. The first deals with remuneration amounts. It examines the amounts paid to members of the Board of Directors and of executive management, and any changes in those amounts since 2007.

The second section analyses developments in transparency, not only in light of the provisions of the Swiss Code of Obligations, but also from the point of view of the recommendations set out in the SIX Swiss Exchange Directive on Corporate Governance and of the international rules of best practice.

The third section considers pay structure. It breaks pay down into fixed remuneration, annual bonuses, long-term profit-sharing plans and cash, share and stock options. It also contains additional information relating to the remuneration system, in particular the part of long-term variable remuneration that is conditional on meeting performance targets. It ends with an analysis of the length of executives' employment contracts.

The fourth section discusses who has a say on executive pay, both in Switzerland and abroad. Shareholders have few rights in Switzerland with regard to executive remuneration, and Ethos would therefore like them to have the possibility to vote on the remuneration report or system.

The fifth section presents the study's conclusions. The annexes appended at the end include data on individual companies and a description of the methodology used.

Principal results

Remuneration amounts

In 2008, the total remuneration of members of the Board and executive management at the 47 companies analysed and listed on the SMI® and SMIM® Indexes fell by 22%. Average pay and the changes since 2007 are as follows:

Non executive Chairmen:
CHF 1,964,478 (-5%)

Other non executive Board members:
CHF 294,216 (-6%)

Executive management:
CHF 2,429,818 (-23%)

Transparency

In 2008, very little changed when it came to transparency compared to 2007. Transparency remains unsatisfactory in terms of international standards. This confirms that companies are reluctant to go beyond the minimum level of transparency required by Swiss law.

Pay structure

The pay structure (fixed salary, annual bonus, long-term plans) remained stable among companies not belonging to the financial sector, where the annual bonus accounts for a substantial part of the remuneration. More long-term incentive plans included performance targets. However, the estimated value of the awards from most of such plans is still not conditional on the achievement of future performance targets.

Competence over pay

Most of the companies analysed refuse to introduce an advisory vote on the remuneration report or system on their own initiative. This clearly shows the limits of self-regulation on pay and proves that it falls to the law to give shareholders rights in this matter.