

Press release

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swissVR Monitor II/2018

Swiss board members: Fixed remuneration is the norm, performance-based the exception

Boards of directors bear the long-term strategic responsibility for a company. In Switzerland, most board members receive fixed remuneration for their work. Variable remuneration dependent on business results or the board member's personal performance is relatively rare. According to the latest edition of [swissVR Monitor](#), the time required for the fulfilment of duties is the most frequently cited criterion for deciding pay. When it comes to their remuneration, board members are all for transparency: 89% of the 344 Swiss Board members surveyed disclose full details of remuneration within the board, while 70% are in favour of a detailed disclosure to shareholders. The survey results paint an encouraging picture: the prevalence of fixed remuneration and emphasis on transparency are in line with modern corporate governance guidelines.

The time required for the fulfilment of duties is the most frequently cited criterion for the remuneration of board members. Two-thirds of those surveyed (67%) identify time outlay as one of the five key criteria for remuneration of board of directors, almost half (48%) cite the scope of responsibility and risk and 42% the requirements in terms of experience, expertise and networks. This is the upshot of the half-yearly survey by swissVR, a leading association of members of boards of directors (BoD), professional services firm Deloitte and Lucerne University of Applied Sciences and Arts. The business success of the company (20%) and the personal performance of the individual member of the board (16%) are cited by fewer of those surveyed.

The survey found that in practice simple and pragmatic models are often used for BoD remuneration. For example, a majority of the board members canvassed (57%) receive flat-rate remuneration, almost a fifth (18%) receive fixed remuneration plus attendance fees, and 4% are paid only for attendance at meetings. Only 9% of those surveyed receive variable remuneration dependent on the business results. This meets the requirements for good corporate governance, as the financial incentive mechanisms for board remuneration are supposed to differ from those of the management.

Large earners in a minority

Flat-rate remuneration models are applied fairly consistently and among over half of those canvassed (53%) it is not customary to pay special remuneration for extraordinary outlays, for example during crises. Specific amounts of remuneration vary greatly, particularly by company size. Of the board members canvassed with mandates at large companies (more than 250 employees), over a third earn more than CHF 100,000 per year. Of those surveyed with mandates at companies with fewer than 50 employees, more than half (54%) receive less than CHF 15,000 per year, and around a fifth (19%) even less than CHF 5,000.

"It is testimony to responsible corporate governance if the remuneration for the board of directors and for the management are based on different criteria. While performance-based components can by all means make sense for the remuneration of board members, they need to be geared to long-term corporate development. For example, part of remuneration can be paid out in equity that have to be held for a lengthy minimum period. This also strengthens the cohesiveness of the board working as a team," says Reto Savoia, Deputy CEO of Deloitte Switzerland.

Far-reaching transparency of remuneration

Boards of directors cultivate transparent communication of remuneration both internally and externally: 95% of those surveyed are largely aware of the remuneration of their other board members. Moreover, for 92% good corporate governance includes disclosing details of remuneration to the shareholders.

“These results are surprisingly high and very positive. Most Swiss companies that are not obliged to do so by law communicate board remuneration transparently both internally and externally. The wide-ranging discussions about the salaries of top managers in recent years have had a positive effect. Transparency has gained in significance and has become an important, confidence-building factor,” explains Cornelia Ritz Bossicard, President of swissVR.

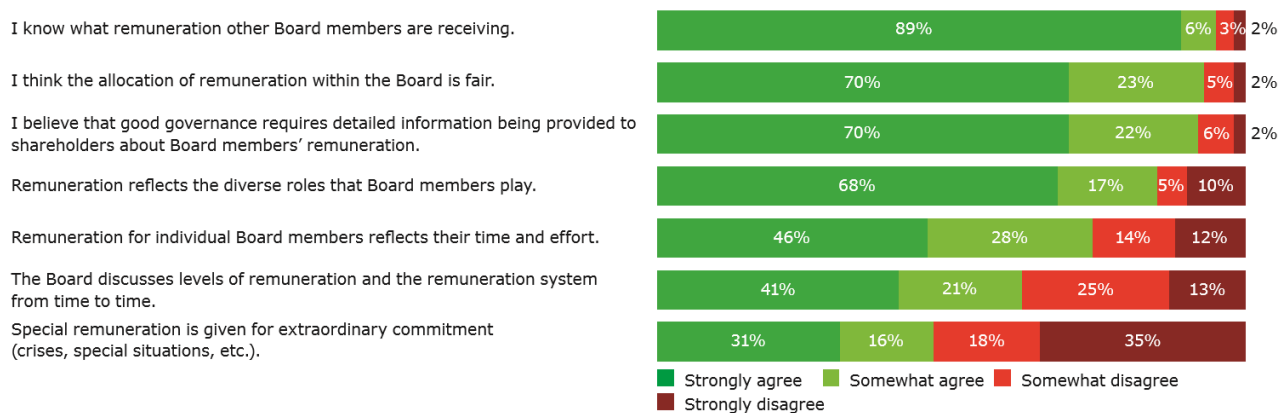


Figure: Key aspects of remuneration

Collectors of board mandates have become obsolete

Meetings only account for a small part of the overall time outlay for a BoD mandate: Two-thirds of the board members questioned convene three to six times a year as an overall body. At the same time, 87% spend more than six days a year working on their BoD mandate.

“Taking on several mandates is something that has to be considered carefully as board work has become more time-consuming and complex over the last few years and the responsibilities have grown. Studying files, committee meetings and research take up much more time than just the meetings themselves. Collectors of mandates have therefore become obsolete,” says Professor Christoph Lengwiler, lecturer at the Institute of Financial Services Zug IFZ at Lucerne University of Applied Sciences and Arts and Vice-President of swissVR.

Regulation: high importance – negative assessment

The survey furthermore shows that BoD members expect regulatory density and complexity to develop negatively from a corporate perspective. “Swiss business leaders are very much wary of the growing number of increasingly complex regulations. Boards therefore need to be staffed with qualified persons who are familiar with the relevant regulations and can also collectively stand up to a strong CEO,” says Reto Savoia.

Better insurance cover makes sense

The study also reveals that over three-quarters (76%) of those canvassed have directors’ and officers’ liability insurance, but insurance varies with the size of company. Among small companies, 56% of board members do not have insurance, among medium-sized ones 31% and among large companies 13%.

“Liability claims against members of companies’ leadership have increased in Switzerland in recent years. It is also to be expected that new legislation will further increase liability claims in the future. I would therefore advise smaller companies to take out directors’ and officers’ liability insurance for their board and management members. Alternatively, individuals can of course insure themselves,” says Cornelia Ritz Bossicard.

Positive business prospects: no change

According to the regular economic survey carried out by swissVR Monitor, 60% of the BoD members canvassed expect their business to develop positively over the next twelve months. This is a slightly more negative view than six months ago (64%), but board members remain more positive on their companies’ business prospects than on the outlook for the economy (54%) and their sector (46%).

BoD members from the IT sector (76%) and from manufacturing (73%) view their business prospects most positively, while positive assessments for the retail sector, the consumer goods industry (57%) and for the financial services industry (51%) are below the overall average.

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About the report

The half-yearly survey "[swissVR Monitor](#)" aims to record the assessments of board members with regard to business outlooks, strategies and structural themes and also, as a focus topic in this issue, the diversity and composition of the board of directors. The survey was conducted by swissVR in collaboration with Deloitte and Lucerne University of Applied Sciences and Arts from 18 June to 28 July 2018. The 344 participating persons represent both company directors of listed companies and of SMEs and come from all relevant industries.

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swissVR

swissVR is an association for members of Board of Directors from Swiss companies. swissVR is committed to the professionalism, quality and the perception of the interests of boards. The association's 750+ members represent board mandates in various sectors and regions as well as in SMEs and listed companies. This broad coverage of various sectors, regions and company sizes allows for a varied know-how sharing. swissVR also offers a diverse range of events on a variety of topics currently facing boards, as well as training courses tailored for specific needs in cooperation with educational partners.

Lucerne University of Applied Sciences and Arts – the university of applied sciences of Central Switzerland

The Lucerne University of Applied Sciences and Arts is the university of applied sciences of the six Central Swiss cantons and comprises the Lucerne Schools of Engineering and Architecture, Business, Information Technology, Social Work, Art and Design, and Music. 6,000 students are working towards bachelor's or master's degrees here, while a further 4,400 are in continuing education. The Lucerne University of Applied Sciences and Arts is the largest educational institution in Central Switzerland and employs 1,600 staff. www.hslu.ch

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