

## Press release

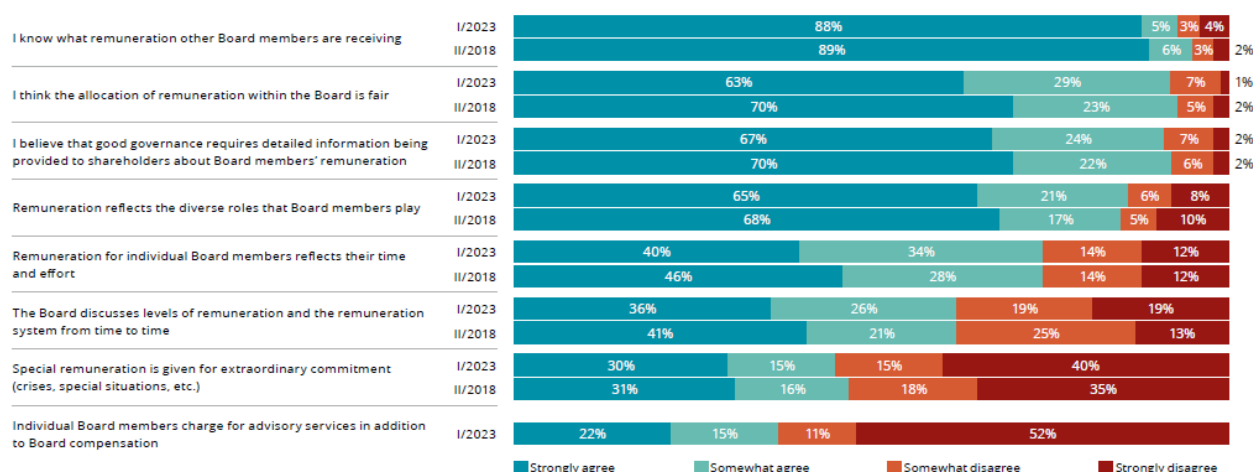
Zurich/Geneva, 27 February 2023

### Boardroom pay: duties are increasingly time-consuming, but remuneration is hardly rising

On boards of Swiss companies, there is a mismatch between the time that members have to devote to the role and how much they earn for their work. A quarter of the recently surveyed board members do not believe their remuneration is commensurate with their workload. This tallies with previous surveys (from 2018 onwards), in which most respondents had already stated that their board duties were taking up more time. However, [the latest swissVR Monitor](#) also reveals some positives among its responses from 453 board members: Nine out of ten appreciate the fairness and good governance that they encounter on their board and in dealings with shareholders.

Challenges such as the COVID-19 pandemic, the war in Ukraine and supply chain problems are giving board members in Switzerland more work to do. This is revealed in the latest swissVR Monitor, a survey conducted every six months by the swissVR association of board members in partnership with the audit and consulting company Deloitte and Lucerne University of Applied Sciences and Arts. Even though board members are spending more and more time on their mandate, they are only earning slightly more for it in relative terms. Specifically, 26 per cent of respondents said that their remuneration for being a board member did not reflect the amount of work they have to do. This statement seems to chime with findings from previous surveys. In the 2018, 2020 and 2022 editions of the swissVR Monitor, over half of those surveyed (around 55 per cent in each case) felt that the time taken up by their board duties had increased in the space of a year. However, their pay did not really take account of this trend over the same period and only exceeded the level recorded in 2018 in a handful of cases.

This is also likely to be because around two in five boards do not routinely discuss the level of their members' remuneration (*see Chart 1*). However, the mood is much brighter as far as internal transparency is concerned. For instance, the vast majority of those surveyed know how much their boardroom colleagues are paid (93 per cent) and feel that the distribution among members is fair (92 per cent). Nine out of ten respondents (91 per cent) also agreed that disclosing boardroom pay to shareholders in detail was part and parcel of good corporate governance. It can generally be said that support for all three statements – and thus for internal transparency and a sense of boardroom fairness – is slightly higher in small companies than in large ones, as the former tend to have smaller boards.



**Chart 1:** Which of these statements about boardroom pay at your company do you agree with?

#### Global upheaval generating extra work

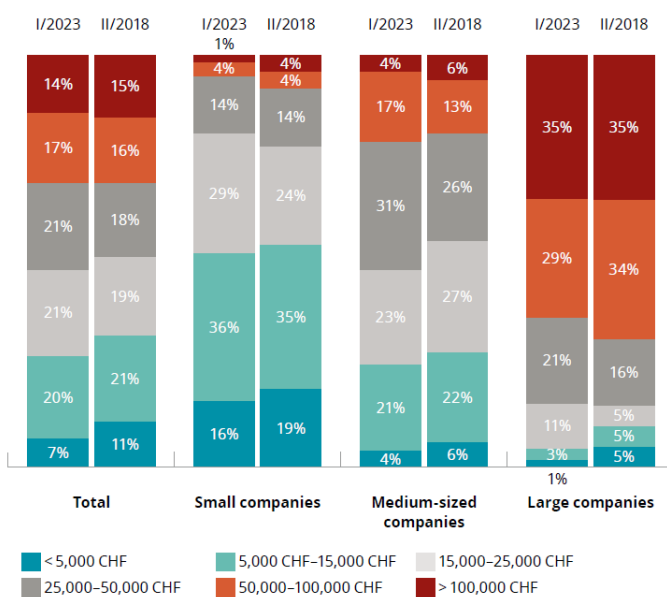
“The geopolitical and economic factors fuelling uncertainty have given board members considerably more work to do, but we have only seen slight increases in pay over the past few years,” says Prof. Dr. Christoph Lengwiler, Lecturer at the Institute for Financial Services Zug (IFZ) at Lucerne University of Applied Sciences and Arts and Vice-President of swissVR. “However, because board members usually receive a flat-rate payment for their services, it makes sense to keep pay

stable over the medium to long term, rather than reacting to short-term fluctuations in the time required for the role,” he adds.

The findings from the latest swissVR Monitor and the surveys of the past few years clearly indicate that Swiss board members are becoming increasingly professional, expecting meaningful and informative reports from their management teams and giving themselves ample time to discuss strategies. This is something else that is reflected in the greater workload and more varied tasks involved in being a board member.

### Fixed remuneration as standard

Most of the board members surveyed are paid a flat fee under a fixed remuneration model, meaning that their company’s performance is often not relevant to determining their pay. Much more significant is the time required, as mentioned above: 74 per cent of respondents named this as one of the most important influencing factors, followed by the degree of responsibility and risk (61 per cent) and the requirements (experience, specialist knowledge, network) made of board members (49 per cent). A company’s size is most relevant when gauging the amount of responsibility and risk associated with a role, with board members at large companies (71 per cent) much more likely to mention this aspect than those at small ones (53 per cent).



Company size also has a marked impact on the amount of remuneration. The average for ordinary board members is between CHF 5,000 and CHF 15,000 at small companies but can be anywhere from CHF 50,000 to CHF 100,000 at large companies. Based on the findings, little appears to have changed since the 2018 survey in terms of the various remuneration categories. The only clear change is the drop in the percentage of low earners (see Chart 2).

### The role of corporate governance in setting pay

In over half of all cases (52 per cent), shareholders are responsible for determining the level of remuneration. When asked this question, 27 per cent of respondents replied that it was the job of the majority shareholder or company owner, 6 per cent stated a committee of shareholders and 23 per cent the annual general meeting. Just under half of all those surveyed (43 per cent) said that boardroom remuneration was decided by the board itself rather than by shareholders. In most cases (31 per cent), they revealed that the decision was

Chart 2: Roughly how much in total are you paid per year for your board mandate?

made by the board as a whole, with a board committee or its chairman having the responsibility at 6 per cent of companies in each case.

“By and large, Swiss companies are following the rules of corporate governance when it comes to paying their board members,” says Alessandro Miolo, Managing Partner, Audit & Assurance at Deloitte Switzerland. He goes on to say: “This is good news, because transparency and diligent corporate governance are key attributes of Switzerland as a place to do business, and they haven’t been eroded even by the huge changes and uncertainties caused by the pandemic, geopolitical risks, inflation, problems with supply chains or staff shortages. At the same time, board members are doing more work than they used to. They’re taking on additional responsibilities and have grown steadily more professional in how they work together and communicate with stakeholders. This trend has to continue. Boards should also become more diverse and focus more on risk management.”

### Cautious forecasts

The respondents were less optimistic about the general economic outlook for the next 12 months. In the survey in December, only 16 per cent of all board members stated that they anticipated a positive economic trend, compared to 21 per cent with negative expectations. The vast majority (63 per cent) rated the prospects for the economy as ‘neutral’. At 40 per cent and 53 per cent respectively, the respondents were much more upbeat about the prospects for their industry and their company’s performance than they were about the overall economic situation.

In light of the current economic and geopolitical challenges, the surveyed board members identified risk management, responding to market developments and increasing efficiency as the most important issues facing them in the next 12 months. However, the respondents said they would be focusing most on recruiting new employees and retaining existing ones over the coming 12 months. The increasing relevance of talent management is in large part due to the current shortage of skilled staff and labour in general. In contrast, devising a new corporate strategy is now set to play only a minor role over the coming year, after having been the most pressing issue last year (see Chart 3 for details).

	Rank I/2023		Rank II/2022	Next 12 months	Issues
	1 (36%)	▶	1 (36%)	9 (19%)	Formulating a new corporate strategy
	2 (34%)	▲	4 (27%)	2 (35%)	Responding to market developments / behaviour by competitors
	3 (33%)	▲	6 (26%)	4 (27%)	Risk management
	4 (28%)	▼	2 (34%)	1 (36%)	Talent (recruitment, retention, etc.)
	5 (26%)	▲	8 (21%)	6 (24%)	Sustainability / corporate social responsibility
	6 (25%)	▼	3 (31%)	5 (25%)	Digitalisation / robotics / automation
	7 (24%)	▲	- (17%)	8 (20%)	HR challenges at management level
	8 (23%)	▲	- (19%)	- (17%)	Corporate transactions (acquisitions, cooperation arrangements and mergers)
	9 (21%)	▼	4 (27%)	3 (33%)	Improving efficiency / optimising internal processes
	10 (18%)	▼	8 (21%)	- (11%)	Compliance (with legislation and internal codes of conduct)

“-” means “not one of the top-10 issues”.

 Strategy     Organisation & processes     HR     Compliance & risk

**Chart 3:** What were the most important issues that your board has addressed over the past 12 months, and what do you think will be the most pressing issues in the next 12 months?

Cornelia Ritz Bossicard, President of swissVR, has this to say about the results: “The cautious forecasts are a clear demonstration of how uncertainties such as geopolitical risks, the energy crisis and inflation are not just affecting large global corporations but Swiss SMEs as well. The COVID-19 pandemic and disruptions to supply chains have led many companies to revise their corporate strategy and ramp up their risk management. Boards are now occupied with finding highly qualified staff to combat the labour shortage. At the same time, they need to focus more clearly on their competition and the trends in their markets and make their internal processes more efficient.”

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#### About the swissVR Monitor

The six-monthly swissVR Monitor survey aims to gauge the views of board members on business prospects, strategies and structural issues, plus – in this edition – their views on the focus topic of ‘people as a key to success – talent management of the future’. swissVR conducted the 13th survey between 2 December 2022 and 3 January 2023 in partnership with Deloitte and Lucerne University of Applied Sciences and Arts. The 453 participants sit on the boards of listed companies and small and medium-sized enterprises (SMEs) and represent all relevant industries and sectors.

#### Further information on the topic

You can also read the study by Deloitte and the Swiss-American Chamber of Commerce on international top management entitled “Winning the ‘war for talent’ and ensuring Switzerland remains competitive”. As part of its large-scale “Power Up Switzerland” location study, Deloitte has also put together a list of actions relating to employees and education, which it is calling on companies and the government to take. A wide range of interesting articles and videos on this topic can be found on the relevant web pages.

#### swissVR

swissVR serves the interests of board members in Switzerland and is committed to helping them become more professional and share experiences with other members. As an independent association, swissVR is run by board members for board members. With its services, it helps to professionalise boards of directors, promotes networking between board members from companies in all sectors, and gives its 1,100+ members access to relevant information and tailored training, including in cooperation with training partners. swissVR is aimed exclusively at people who actively serve on boards of directors. [www.swissvr.ch](http://www.swissvr.ch)

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The Lucerne University of Applied Sciences and Arts is the university of applied sciences and arts of the six cantons of central Switzerland. With some 7,700 students on Bachelor's and Master's degree programmes, 4,700 students on continuing and executive education programmes, almost 500 ongoing research projects and around 1,900 employees, it is the largest educational institution in the heart of Switzerland. The Institute of Financial Services Zug (IFZ) at the Lucerne University of Applied Sciences and Arts puts a strong focus on the topic of governance, risk and compliance by also offering executive education courses for board members. [www.hslu.ch/ifz](http://www.hslu.ch/ifz)

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The information in this press release was correct at the time it was released.

