

Survey on Executive Remuneration 2007: Executive Summary

For the third year in a row, Ethos has conducted a study of executive pay at Switzerland's main listed companies. While the two previous studies covered the 100 largest firms, this one is limited to the companies listed on the SMI and SMIM Indexes on 31 December 2007 (48 in all).

The study of 2007 executive remuneration is particularly interesting because it covers a critical year in terms of transparency requirements for executive pay. Since 1 January 2007, transparency has been governed not only by the Swiss Exchange Directive on Corporate Governance (DCG) but also by Swiss corporate law (Code of Obligations).

The study is divided into four sections. The first deals with remuneration amounts, i.e. the amounts paid to members of the Board of Directors and members of executive management. For the first time, the remuneration of the highest paid Board member (usually the CEO) is systematically published separately.

The second section analyses developments in transparency, not only in light of the provisions of the Code of Obligations, but also from the point of view of international best practice.

The third section considers pay structure, showing the breakdown of pay into fixed and variable amounts, as well as into cash, share and stock options. This section also contains additional information relating to the remuneration system, in particular an analysis of the method used to evaluate shares and options and of the termination provisions of executives' employment contracts.

The fourth section presents Ethos' conclusions in respect of executive pay. Ethos would in particular like shareholders to have the possibility to vote on the remuneration report.

The study also comprises various annexes presenting the individual data by company and the methodology used.

Principal Results

Remuneration amounts

The average amounts paid in 2007 by the 48 companies analysed were:

Board of Directors

Chairman & CEO:	CHF 10,746,404
Chairman but not CEO:	CHF 2,110,096
Other Board members:	CHF 315,840

Executive management

CEO:	CHF 5,449,165
Other executives:	CHF 2,578,569

Transparency

There was greater transparency on pay issues in 2007, due in large part to the entry into force of new legal provisions (Art. 663 CO). For example, the remuneration of the highest paid member of executive management (in principle the CEO) is now systematically published.

At the same time, some companies have published more information than they are legally required to do, for example describing the rules relating to bonuses. This is a development Ethos has been working towards for several years. On the other hand, only a minority of companies publish information on, for example, the individual pay of members of executive management or the companies included in the peer group used to set pay.

Remuneration structure

In most of the companies, a substantial part of pay is made up of shares and/or options. However, the final acquisition of shares and the exercise of options at the end of the blocking period are rarely conditional upon the achievement of pre-established performance targets, contrary to international best practice.

Although some progress has been made since the previous year, several deviations from best practice are still observed. For example, a significant number of companies value the shares/options granted at their tax rather than at their market value.