SWIPRA
CORPORATE GOVERNANCE
SERVICES & DIALOGUE

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2025 AGM Mid-Season Review

AGMs 2025: the ever-recurring discussion on compensation and board reputation

Zurich, 22nd April 2025 - The Swiss AGM season opened with the already usual public outcry over executive compensation. Total CEO pay increased by 11.2% year-over-year among the 100 largest SPI companies reporting so far, firing up the debates about fairness and accountability of executive compensation again. And while public outrage and political calls for salary caps made headlines, shareholders are sending a different signal: approval rates for compensation reports have increased by over 4 percentage points compared to 2024 so far. What explains this paradox—and how can companies navigate the growing divide between public sentiment and investor expectations? This newsletter takes a closer look at this perception mismatch and what it implies for companies' boards.

- **Public vs. Shareholder Perception: the public always compares total compensation amounts while shareholders focus on the pay for performance relation. Boards concentrate on the latter but need to better address the public sentiment by showing more sensitivity in their communication, otherwise they will face a (further) loss of credibility and negative reputational effects.**
- **The Approval Paradox: Rising pay levels and rising shareholder support are not mutually exclusive — if boards address transparency and performance alignment.**
- **Benchmarking Needs Rethinking: Compensation committees need to become more sensitive in defining peer groups and more transparent in rationalizing their choice of peer companies as the benchmarking outcome will ultimately have a reputational impact on their company as well as on them personally.**

Next events

FuW Corporate Governance Excellence 2025
Event for board members and by invitation only
organized by Finanz und Wirtschaft
SWIPRA is Network Partner for this event
June 24, 2025

SWIPRA 2025 AGM full-season analysis
Publication of the results
June 2025

2025 SWIPRA Corporate Governance Survey Event
Presentation of the results
December 9, 2025

- **Compensation Committees Must Step Up: Compensation Committees face substantial pressure to set more ambitious targets, justify special payments and improve overall disclosure. This is essential for the board's credibility.**
- **Politics vs. Pragmatism: Introduction of pay caps risk unintended consequences, but a lack of engagement by boards and shareholders on compensation issues will call lawmakers into action following the public reactions.**
- **AGM outcomes so far (year to date): 12.5% of remuneration reports received less than 80% support (down from 29.6% in 2024) and one failed to receive majority support (n=24). Sustainability reports were approved with 96.3% on average, down from 99.3% a year ago.**
- **The average annual total compensation of CEOs is CHF 3.92m, up by 11.2% compared to a year ago. (reflecting amounts published to date) while the level of the 10 highest paying companies increased to CHF 12.03m, up by 9.6%.**

Management compensation regularly receives a great deal of public attention. For governance specialists, compensation is seen as one of the most important trust factors for boards of directors. Therefore, the overall perception of boards is closely linked to the discussion about pay levels, which for investors, transparency around compensation is at the center of interest.

According to a 2024 compensation poll amongst Swiss citizens (gfs, 2024), 61% of the respondents indicated that they are interested in the topic. This interest is picked up by media that regularly comments critically on compensation levels, especially in the financial services and pharmaceutical industries. 6 out of the 10 highest paying companies in Switzerland in 2024 are from these two industry sectors. It does not stop with the media though. Politicians have taken up the discussion about management compensation again. This comes 13 years after the introduction of regulations on compensation for Swiss listed companies, which increased the powers of shareholders in listed companies significantly. And because, in the political view, more shareholder rights have not been able to rein in the rise in compensation levels, this time the discussion is about setting compensation caps.

The debate about caps, or maybe more correctly, about what fair compensation levels are, is however a difficult one. This is also acknowledged by the public who, according to the previously mentioned poll, cannot really align on a specific maximum value. A majority of respondents also shared the opinion that this decision should not be taken by the government, but by the owners.

Shareholders themselves have a more nuanced view on the topic than the public. This results in a clear divergence of views on how to approach the compensation topic. Like the public, shareholders have many questions regarding management compensation, and they take this up during engagements with the companies ahead of their AGMs. According to the SWIPRA Survey 2024, 61% of institutional shareholders and 59% of companies indicated that compensation was the most prevalent topic in their pre-AGM exchanges. And more than 50% of the companies indicated that they implemented changes following these discussions. But like the public, many shareholders consider current pay levels in Switzerland as rather high (48%) or too high (28%). This resulted in a level of shareholders' AGAINST votes on compensation reports that was the highest in Europe and the US in 2024 (see SWIPRA AGM Analysis 2024). Institutional shareholders cited the quantum of compensation packages in Switzerland as main reason (57%) for their opposition, followed by transparency (43%) and structure (40%) of the pay packages (see SWIPRA Survey 2024).

Institutional shareholders are reluctant, however, to set caps on compensation levels, and few have such a clear provision in their policy guidelines. Some Swiss proxy advisors however do. Institutional shareholders understand that there is no one-size-fits-all and that compensation can be awarded in many ways. They appreciate that this leads to different and not directly comparable numbers in the remuneration report. However, when picked up by the media, such numbers are often being compared directly, without considering the conditions behind the amounts and the entitlements for the variable compensation elements. For shareholders, it ultimately is all about the board of directors who is responsible for management's compensation system and the decisions regarding the

Sample of Analysis

The analysis in this newsletter is based on AGM results and on compensation reports published by the 100 largest companies of the Swiss Performance Index prior to April 15th. This includes AGM results of 31 companies and compensation reports of 62 companies.

amounts paid. Criticism regarding compensation will be reflected in election results of compensation committee members: They usually are elected with much lower rates than their peers in companies with non-contested compensation decisions. This is an important negative reputational factor for these board members to watch out for, along with low approval rates on the compensation report.

According to institutional shareholders (see SWIPRA Survey 2024), the main reason for (too) high management compensation is boards' compensation committees. In the shareholders' view, these committees are not setting sufficiently ambitious performance targets (53%) and are not sufficiently stringent in their performance assessments (51%). This is shown, for example, in compensation benchmarking practices, that over 52% of shareholders as well as companies see as a main reason for high compensation levels. Simply benchmarking compensation levels against those of sometimes undisclosed or unexplained peers to justify compensation packages and decisions is no longer viable, neither for companies nor for investors. A point of view underlined by independent research that meanwhile broadly established a positive relation between benchmarking and increasing compensation levels.

Yet with benchmarking, even the most straightforward assessment of fixed base compensation can lead to heated discussions if the choice of peers is not explained in a comprehensible way that make good sense from a business point of view. The main questions usually revolve around size, complexity, geographical locations and differences between the market where the company does business and the market where the company hires its people.

An even bigger limitation of the benchmarking approach, if not explained carefully and transparently, is that it only entails compensation amounts, but not the effort expected from the manager to obtain this amount. This is particularly important for variable compensation, which nowadays makes up most of the executive pay packages. Even if CEOs of two different companies have exactly the same (benchmarked) compensation structure, the performance threshold to get the target bonus may vary significantly. Similarly, whether the long-term incentive plan is based on a three or a five-year performance measure makes the overall resulting compensation amounts difficult to compare.

Benchmarking also provides little information if it is related to special payments, for example related to retention or an IPO, as observed multiple times this year. Three of the ten highest paying companies this year are ranked this high only because of special payments. Such additional payments are very company specific and benchmarking thus rarely meaningful. Companies and their shareholders would be better served if the size of the special payment, the situation that makes such payments necessary, and the reasoning behind the selection of recipients receiving such payments ("internal fairness") is explained more thoroughly. This way, it is up to shareholders to judge individually whether such a payment is compatible with their expectations.

Hence, the political perception of regulating management compensation by setting pay caps contrasts with the institutional shareholders' view of increasing the pressure on boards and their compensation committees to ensure pay and performance are aligned. For the latter to prevail, compensation committees need to better rationalize compensation decisions, going beyond just the one-size-fits-all benchmarking rational. They need to make sure that their compensation schemes are ambitious enough and that they set the right goals and incentives.

On the other hand, institutional shareholders and proxy advisors need to question their analysis approach on compensation levels, which also continues to rely heavily on benchmarking. They regularly apply standardized peer groups based on external industry classifications to remain as objective as possible when assessing compensation levels. These peer groups usually differ quite a bit from companies' own peer groups. This gap in peer groups usually cannot be closed altogether, but a dialogue between the compensation committee chair and institutional shareholders may clarify the rational and/or the shortcomings behind the choice. A more measured approach that considers pay levels across the entire company as well as the economic environment of the company's headquarters would be more stakeholder friendly. And better and more sensitive communication around compensation, which is a key element of a company's governance and reputation management, would publicly and politically be a more acceptable approach.

About SWIPRA Services

SWIPRA Services supports boards of directors with independent, customized assessments and coaching. We provide our clients with practical advice taking into account relevant stakeholder opinions. Our aim is to make leadership teams more effective and efficient, strengthen reputation and increase company value in the long term.

To further develop corporate governance in Switzerland, SWIPRA Services works with a high-level think tank consisting of companies and institutional investors and conducts independent, representative studies. SWIPRA Services is also active in education and management training as well as public relations work on corporate governance and stakeholder management issues.

Together with our partners at TBA Trusted Board Advisors, we advise companies on corporate governance, strategic communication, reputation and stakeholder management.

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