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## **About the survey**

This is the fourth edition of swissVR Monitor and is based on a survey of 344 members of Swiss company Boards of Directors. The aim of the survey is to gauge Board members' attitudes to the outlook for business, environmental factors and structural issues. This edition also focuses specifically on the topic of remuneration for Board members.

The swissVR Monitor survey was conducted by swissVR in collaboration with Deloitte AG and the Lucerne University of Applied Sciences and Arts between 18 June and 28 July 2018. A total of 344 Board members took part, representing listed companies as well as small and medium-sized companies (SMEs) from every major sector of the Swiss economy. The

aim of swissVR Monitor is to offer Board members a benchmark for comparing the issues facing their own Board with those facing their counterparts on other company Boards. swissVR Monitor also aims to share with the wider public the ways in which Board members perceive their role and the current economic situation.

## **A note on the methodology**

When comparing survey results over time, please note that the sample may have changed. Percentage figures are rounded to add up to 100. Company size is defined by workforce: small companies have between 1 and 49 employees, medium-sized companies have between 50 and 249 employees, and large companies have 250 or more employees.

# Foreword

**Two-thirds of Board members believe that the time they spend on their mandate is a key criterion for determining their remuneration. And, just under half believe that the scope of the responsibility and the risk they take should play a part in determining their remuneration. The findings of swissVR Monitor II/2018 also show that there is wide variation between Board members in both time commitment and remuneration.**

Dear reader,

We are delighted to bring you *swissVR Monitor II/2018*, a survey conducted jointly by swissVR, Deloitte and the Lucerne University of Applied Sciences and Arts. For this issue, we surveyed 344 members of Boards of Directors across Switzerland. The findings are therefore an excellent reflection of their attitudes to the economy and the outlook for business and relevant areas of their own role. The special focus topic in this issue is the remuneration of Board members.

*swissVR Monitor II/2018* provides a number of insights:

- 60% of the Board members surveyed rate the economic outlook for their own company over the next 12 months as positive.
- Just under two-thirds of those surveyed believe that the complexity of regulation in general will have a negative impact on their company over the next five years.
- The total time Board members spend on their role (including meetings, preparation and training) is several times their commitment to attend meetings.

- The majority of Board members know what other members are paid and welcome transparency in making details of their remuneration available to shareholders as part of good corporate governance.
- In response to a question about the five most important factors influencing remuneration, two-thirds of Board members cite the time commitment. The second most frequently cited factor is the scope of the responsibility and risk taken by Board members (identified by just under half of those surveyed).
- The majority of Board members surveyed receive a flat-rate payment for their services (57%) or a flat-rate payment plus a payment for each meeting they attend (18%).

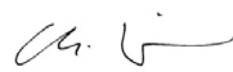
We would like to thank all the Board members who participated in the swissVR Monitor survey. We hope you will find this report an informative and enjoyable read.



**Cornelia Ritz Bossicard**  
President swissVR



**Reto Savoia**  
Vice Chairman & Deputy CEO  
Deloitte Switzerland



**Prof. Dr. Christoph Lengwiler**  
Lecturer IFZ/Lucerne University  
of Applied Sciences and Arts

# Summary and key findings



60%

rate the outlook for their company over the next 12 months as positive.

## Views of corporate outlook remain positive

60% of Board members rate their company's prospects over the next 12 months as positive. This is slightly down on the 64% who had this view six months ago (swissVR Monitor I/2018) but more positive than their expectations for the economy (which 54% rate as positive) and for their sector (46%).



65%

expect the complexity of regulation in general to have a negative impact on their company over the next five years.

## Regulation expected to have a negative impact

Sector-specific regulation and the complexity of regulation in general are rated highest among all the regulatory and statutory factors affecting companies. A majority of respondents also expect both factors to have a negative impact on their company. The same is true of EU/international regulation, with 61% of respondents expecting this to have a negative impact on their company.



67%

attend between three and six meetings a year as a Board member.

## Meetings only a small part of the time Board members spend on their mandate

33% of Board members surveyed attend three or four meetings a year (excluding committee meetings) and 34% attend five or six meetings. 70% surveyed spend between 6 and 30 working days a year on their role, while a further 17% spend more than 30 days. The total time commitment to the role (including reading documents, preparation, committee meetings, etc.) is therefore several times that of just attending meetings.



70%

welcome making remuneration transparent to shareholders as part of good corporate governance.

## Transparency over remuneration

Most Board members want to be transparent about their remuneration, and most companies achieve this in practice. 89% of those surveyed say that they know what remuneration other Board members are receiving. 70% believe that providing shareholders with transparent and detailed information about remuneration is part of good corporate governance.



67%

regard the time spent on Board activities as a key criterion for determining their remuneration

## Clear priorities in criteria for determining remuneration

Two-thirds of Board members (67%) believe that the time they spend on their mandate is one of the top five criteria for determining their remuneration. Almost half (48%) cite the level of responsibility and risk they have as Board members, while 42% cite the demands on them in terms of experience, expertise and networks. Very few Board members cite the success of the company (20%) or the personal performance of individual Board members (16%) as an important criterion.



57%

receive a flat-rate annual payment for their mandate.

## Flat-rate payment is the most common type of remuneration

Almost three in five Board members (57%) receive a flat-rate payment. A further one in five (22%) receive a flat-rate payment plus payment for each meeting attended or solely payment for attendance (18% and 4% respectively). Variable components based on company results are relatively uncommon.



# Outlook and economic factors

## Economic, sector and business outlook

The Board members surveyed for swissVR Monitor II/2018 continue to rate the **economic, sector and business outlook** for their company over the next 12 months as positive. However, there are variations between individual indicators. For example, Board members rate the business outlook for their own company more positively than the outlook for their sector. Surprisingly, thirteen per cent fewer Board members rate the country's economic outlook as positive compared with six months ago (swissVR Monitor I/2018), despite the fact that over recent months, positive expectations for the economic environment in Switzerland have stabilised at a high level (see Chart 1).

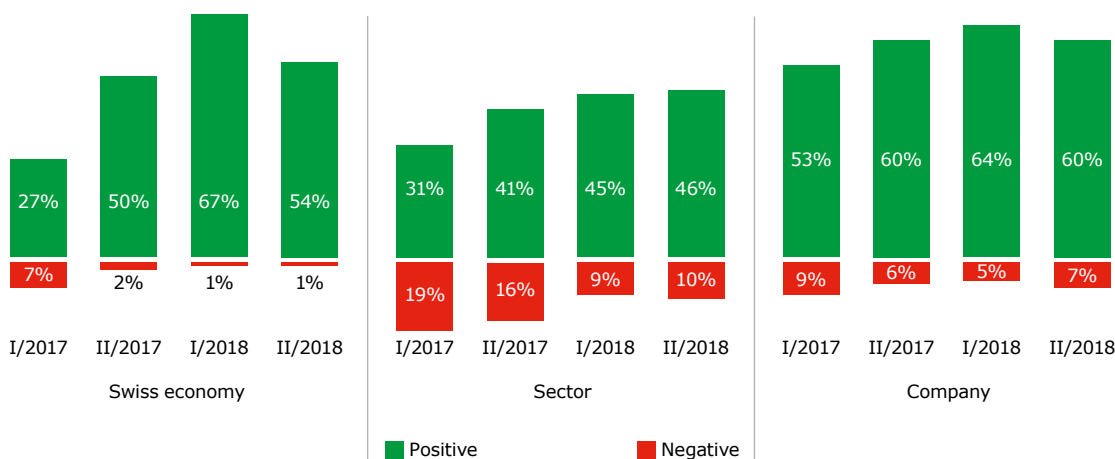
54% of those surveyed rate Switzerland's **economic outlook** as positive. Compared with swissVR Monitor I/2018, the proportion of Board members rating the country's economic outlook as neutral has risen from 32% to 45%. This means that overall, Board members have the same positive view of the outlook for the economy as they did a year ago (swissVR Monitor II/2017).

On balance, Board members rate the **prospects for their sector** as the most negative of the three: 46% rate the prospects for their sector as positive, while 10% rate them as negative.

Board members' rating of the **prospects for their own company** remains positive, with 60% of those surveyed rating them as positive, 33% as neutral and 7% as negative.

As in the two previous surveys (swissVR Monitor II/2017 and I/2018), Board members in the information and communications technology sector, and manufacturing and chemicals sectors are most likely to rate their company's prospects as positive (76% and 73% respectively of those surveyed). In contrast, the proportion of Board members rating their company's prospects as positive is below average in retail and consumer goods (57% of those surveyed) and in financial services (51%). Because of the small sample, it is not possible to draw reliable conclusions about other sectors, such as construction or pharmaceuticals and life sciences.

**Chart 1. Rating of prospects for the next 12 months (swissVR Monitor I/2017, II/2017, I/2018 and II/2018)**



**Question: How do you rate the prospects for the Swiss economy / your sector / your company's business over the next 12 months?**

Note: The remaining percentages that add up to a hundred are made up of neutral answers.

## Regulatory and statutory factors

Board members were asked about the current and future importance to their company of selected regulatory and statutory factors (earlier editions of swissVR Monitor asked similar questions concerning political, demographic, social and economic factors). Respondents rated the current importance of eight factors on a scale from 1 to 5, where one was “Unimportant” and 5 was “Very important”. They also reported whether they thought the same factors would have a positive or negative impact on their company over the next five years (see Chart 2).

**Sector-specific regulation** and the **complexity of regulation in general** are currently rated the most important of all eight factors, with average values of 4.0 and 3.9 respectively. Most Board members expect both categories to have a negative impact on their companies over the next five years (52% and 65% of respondents respectively).

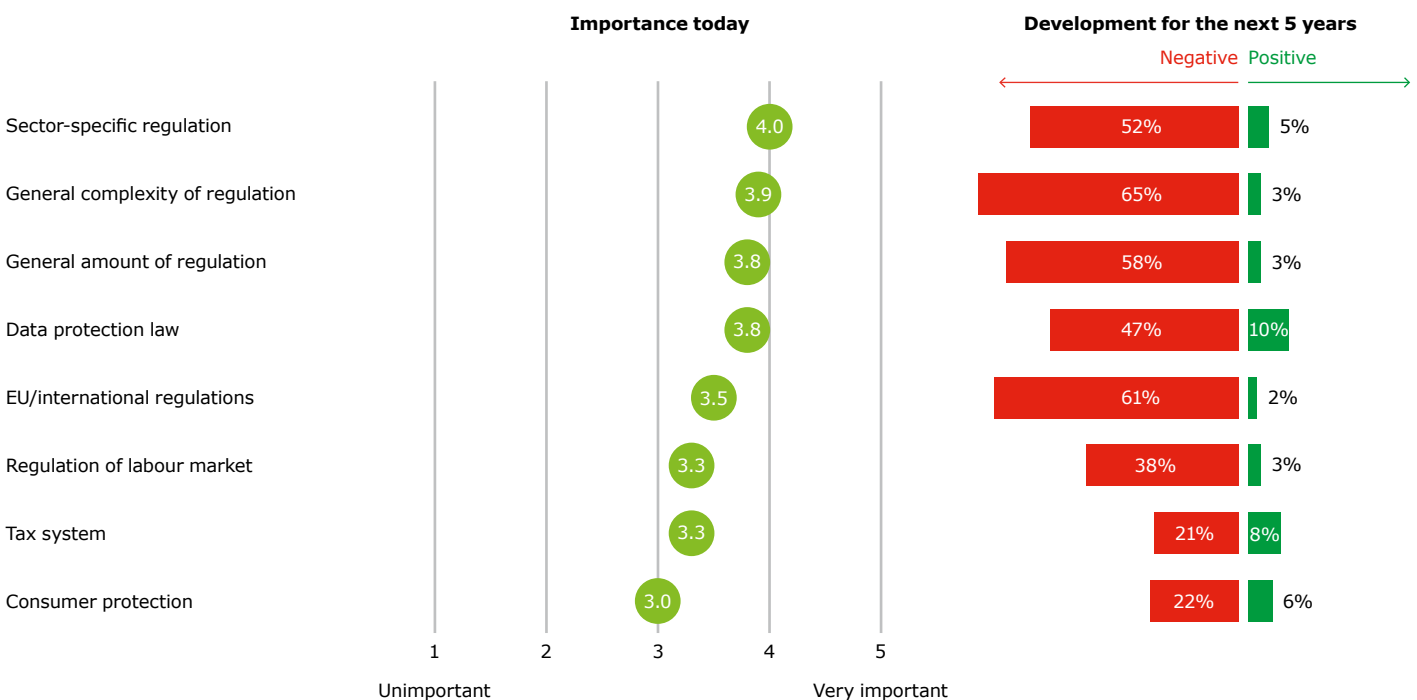
The average impact of both the **general amount of regulation** and **data protection law** is rated at 3.8. The EU’s new

General Data Protection Regulation (GDPR), which came into force on 25 May 2018, is likely to have increased the perceived importance of data protection legislation, with 58% of those surveyed expecting the general amount of regulation to have a negative impact on their company in future, in line with their expectations for sector-specific regulation and the complexity of regulation in general. 47% of those surveyed expect data protection legislation to have a negative impact while only 10% expect a positive impact.

The factors perceived as being of medium importance include **EU/international regulation** (average value 3.5), **labour market regulation** (3.3), the **tax system** (3.3) and **consumer protection** (3.0).

It is striking that the net balance for the next five years is negative for all the regulatory and statutory factors surveyed. The only potential positive expectations relate to data protection legislation (10% of those surveyed), the tax system (8%) and consumer protection (6%).

**Chart 2. Regulatory and statutory factors (today; score 1–5 averages)**



**Questions: How do you (currently) rate the importance to your company of the following regulatory and statutory factors? In your view, how will the following regulatory and statutory factors develop over the next five years?**

Note: The remaining percentages that add up to a hundred are made up of neutral answers.

# Organisation and framework for Board of Directors mandates

## Directors and Officers liability insurance

Over recent years, the topic of liability claims against Board members has increased in importance in Switzerland. As a result, the willingness to institute claims against individuals where there is a suspected breach of responsibility, leading to damage or harm, has also increased. It can therefore be expected that regulatory demands on the liability of Boards of Directors will be tightened in future (see Chart 2, page 6).

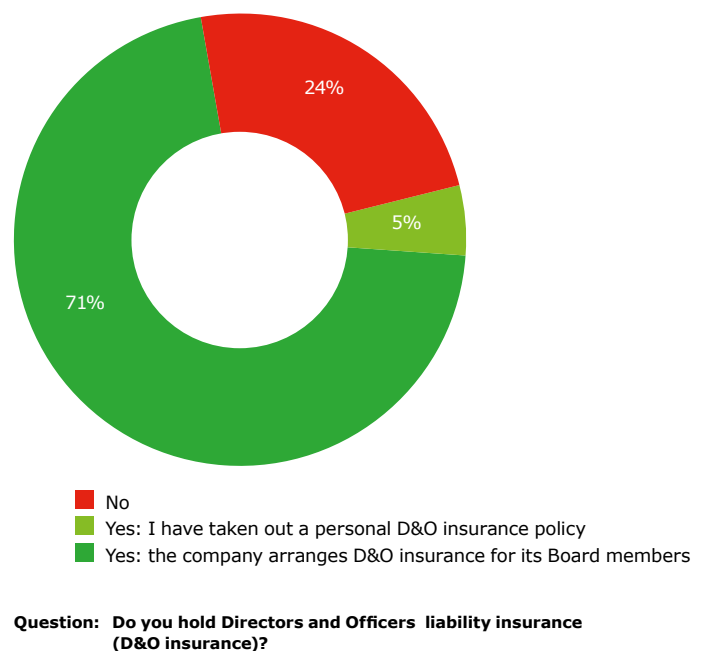
Even where they prove unfounded, liability claims impose an emotional and financial burden on the managers and Board members against whom they are made. **Directors and Officers (D&O) liability insurance** offers some measure of protection, as it meets the cost of legal advice and defence, compensation payments, etc. However it is important to specify the nature and extent of the risks covered by such liability insurance.

The findings of the swissVR Monitor II/2018 survey demonstrate that most companies (71%) arrange insurance for their Board members and officers themselves (see Chart 3). A further 5% of Board members report having taken out a personal D&O insurance policy.

This means that only one-quarter of those surveyed (24%) have no liability insurance cover. A detailed analysis shows that 56% of these individuals serve on the Board of small companies (up to 49 employees), while 31% serve on the Board of medium-sized companies (between 50 and 249 employees).

85% of Board members in all large companies surveyed have D&O liability insurance, compared with 59% of Board members in small companies.

Chart 3. Directors and Officers liability insurance



## Number of Board meetings and time spent on Board activities

The **number of Board meetings attended each year** (excluding committee meetings) varies widely between members. In general terms, however, two-thirds (67%) of those surveyed attend at least three meetings a year, 33% attend three or four, and 34% attend five or six (see Chart 4). More than one-quarter (29%) attend seven or more meetings a year. Board members of large companies make up half of all these cases. Only a very small minority of Board members (4%) attend fewer than three meetings a year.

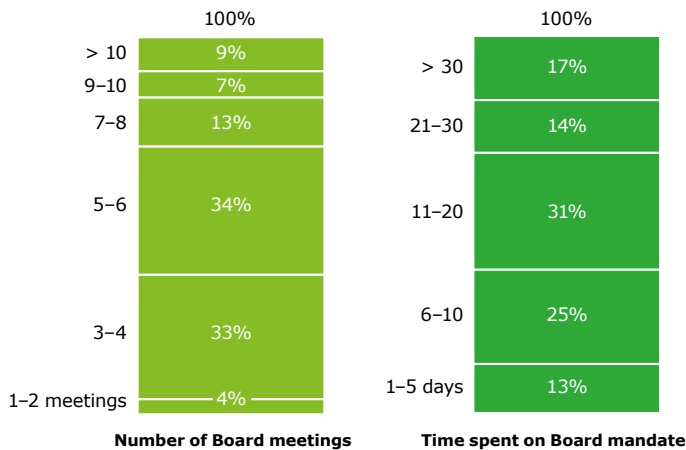
The **time spent on Board activities** also varies widely. Including preparation, meetings and training, around 13% of Board members surveyed estimate that they spend between one and five working days a year on their role, with a further 25% estimating the time commitment at between six and ten days. For a further 31%, the estimated time commitment is between 11 and 20 working days a year; 14% put their commitment at between 21 and 30 days, and 17% at more than 30 days.

The time individuals commit to their mandate depends on the role they have on the Board. For example, 24% of all Board Chairmen spend more than 30 days a year on their role compared with half that proportion – 12% – of all ordinary Board members.

The time commitment of Board members varies not only by sector and company size but also in terms of the company's financial position and complexity, the interaction between shareholders, Board and management in corporate governance, the shareholder structure, and the role an individual has on the Board. Over time, the level of commitment may vary widely (for example, during crises), and this is taken into consideration when considering accepting a Board mandate.

Chart 4 also shows that participation in regular Board meetings accounts for only a relatively small proportion of an individual's total time commitment. Activities such as reading documents and preparing for meetings, work on Board committees, informal discussions and representing the Board add significantly to the total, meaning that a Board member's total time commitment is several times that of solely attending meetings. It should also be borne in mind that – depending on the company situation – a Board member's time commitment may also increase considerably on an ad hoc basis, for example in a crisis.

**Chart 4. Number of Board meetings and time spent on Board mandate (in days)**



**Questions: How many main Board meetings (excluding committees) does your company hold each year? Approximately how much time per year do you spend on your Board mandate? (Please include meetings, preparation, training, etc.)**



# Focus topic: Board remuneration

## Key aspects of remuneration

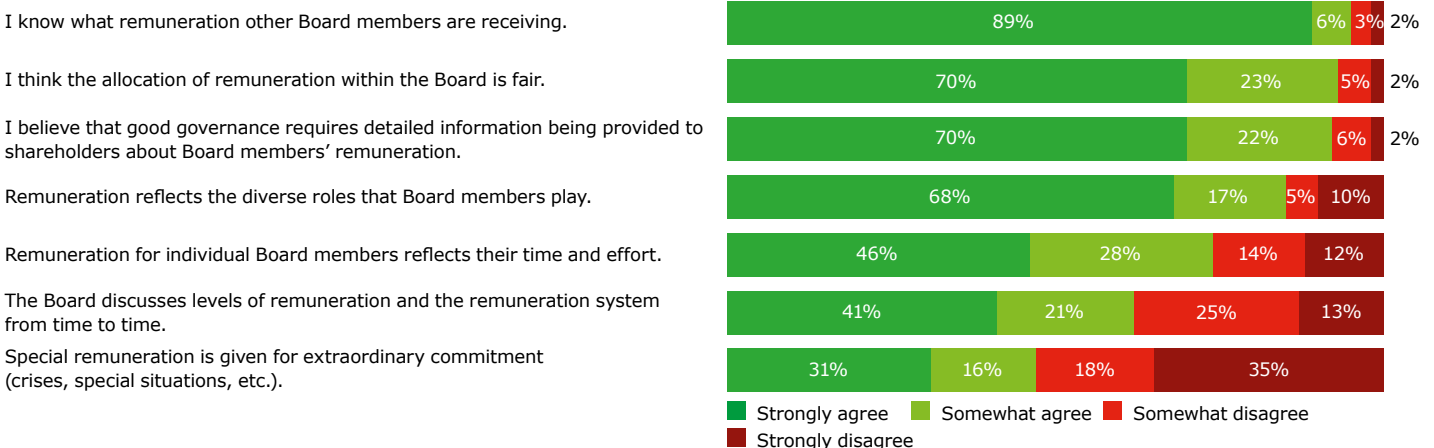
The survey findings show a high level of transparency regarding remuneration across Boards and their committees, with most Board members believing that being adequately transparent to shareholders about Board remuneration is in the interests of good corporate governance. A significant majority of those surveyed strongly agree or somewhat agree with the statement **“I know what remuneration other Board members are receiving”** (89% and 6% respectively). A large majority also agree that **good governance requires detailed information being provided to shareholders about Board members’ remuneration**, with 70% strongly agreeing and 22% somewhat agreeing (see Chart 5). The desire for transparency over remuneration is also likely to be linked to the Ordinance against Excessive Compensation at Listed Companies (VegüV) and the debate this has sparked.

The overwhelming majority of Board members surveyed also strongly or somewhat agree that the **allocation of remuneration within the Board is fair** (70% and 23% respectively). The picture is similar in response to the statement **“Remuneration reflects the diverse roles that Board members play”**, with 68% of Board members strongly agreeing and 17% somewhat agreeing. Remuneration within Boards is apparently seen as fair in cross comparison.

Responses to the statement **“Remuneration for individual Board members reflects their time and effort”** are rather more fragmented: only just under half of those surveyed strongly agree (46%), with almost one-third (28%) somewhat agreeing. Just over one-quarter (26%) disagree, 12% strongly and 14% somewhat. And, just over half of Board members (53%) disagree that **special remuneration is given for extraordinary commitment** (crises, special situations, etc.), with 18% somewhat disagreeing and 35% strongly disagreeing. More than half of all Board members believe that fluctuations in the time commitment required for the role are implicitly included in their remuneration, which is usually on a flat-rate basis. This seems to be especially the case for ordinary Board members: 63% agree somewhat or agree strongly that they receive no special remuneration for extraordinary commitment, compared with only 45% of Board Chairmen.

More than one-third of those surveyed (38%) disagree somewhat or strongly that the **Board discusses levels of remuneration and the remuneration system from time to time** (13% and 25% respectively), which probably reflects responses regarding responsibility for setting Board members’ remuneration (see Chart 8 on page 12).

**Chart 5. Important aspects of remuneration**



Question: Please indicate your response to the following statements on remuneration for Board members in your company ...

## Criteria determining remuneration

In response to the question as to which 5 out of 15 listed **criteria determining Board remuneration** are most important, two-thirds (67%) of Board members surveyed cite the **time spent on Board activities**. The second and third most commonly cited criteria are the **extent of Board members' responsibility and risk** (48% of those surveyed) and the **demands on Board members** (experience, expertise and networks) (42%) (see Chart 6).

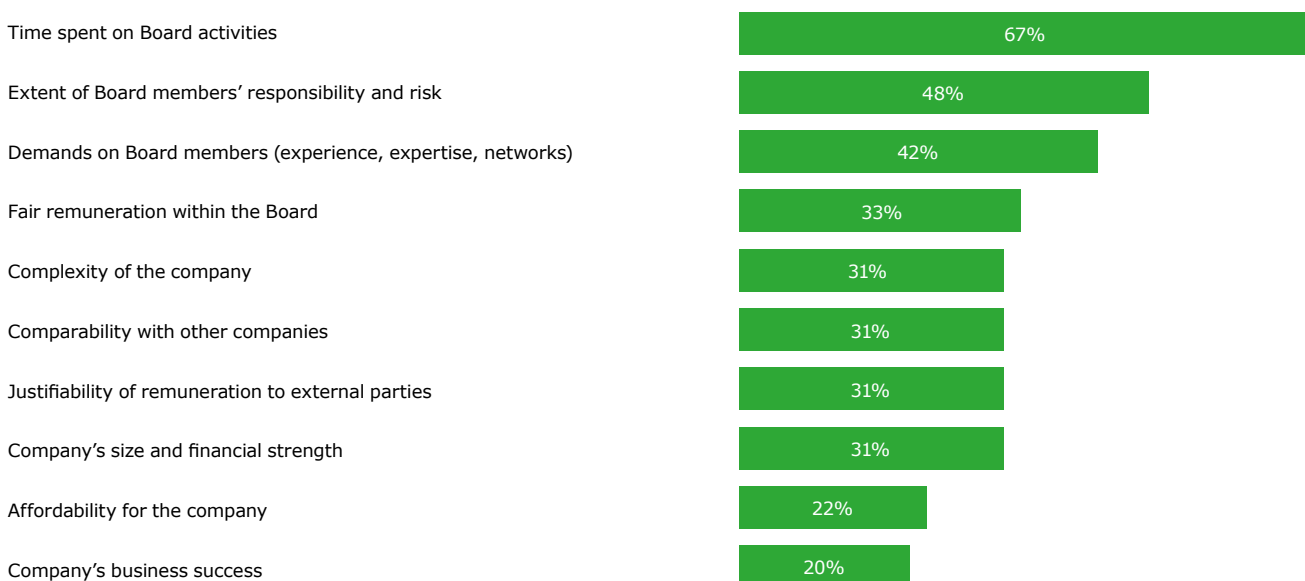
Analysis of the most commonly cited criteria by company size reveals that time spent on Board activities is rather less important for Board members in small companies (60%) than for Board members of medium-sized and large companies (73% in both categories). Moreover, Board members in large companies are more likely than those in small and medium-sized companies to cite responsibility and risk, and the demands made on them as major criteria for determining their remuneration.

Around one-third of those surveyed also cite each of the following as among the five most important criteria: **fair remuneration within the Board** (33%), the **complexity of the company** (31%), **comparability with other companies** (31%), **justifiability of remuneration to external parties** (31%) and the **company's size and financial strength** (31%).

Less frequently cited criteria are **affordability for the company** (22% of those surveyed) and the **company's business success** (20%).

The other possible criteria are perceived as being of only minor importance in determining Board members' remuneration and are rarely cited among respondents' top five criteria. They are not listed in Chart 6 but include: the individual performance of Board members (16% of those surveyed), the relationship between Board members' remuneration and management pay (13%) and the attractiveness of the company to high-calibre Board members (3%).

**Chart 6. Criteria determining remuneration (top 10)**



**Question: Which criteria you do think are most important in determining remuneration for Board members? (Please select up to 5 criteria.)**

## Level of remuneration and responsibility for proposing remuneration levels

The wide diversity of the Board members surveyed is reflected in the range of their remuneration. 11% of those surveyed receive less than CHF 5,000 for their mandate and 15% receive more than CHF 100,000. The remaining 74% receive remuneration at levels in between these two extremes (see Chart 7).

The size of the sample limited more in-depth analysis of the **level of remuneration** declared by Board members broken down by a range of criteria (role on the Board, company size and sector, listed/unlisted company, time spent on Board activities). Chart 7 analyses the findings by company size, though not by role on the Board.

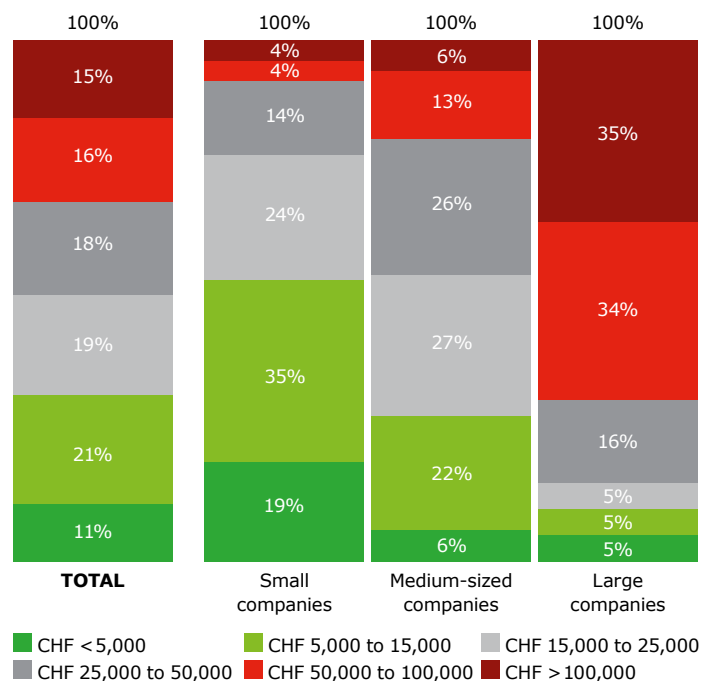
Our analysis shows that just over half (54%) of the 114 Board members representing small companies (those with fewer than 50 employees) receive remuneration of less than CHF 15,000, a markedly higher proportion than the average of all respondents (32%). In comparison, just 28% of the 97 Board members in medium-sized companies (those with between 50 and 249 employees) receive this level of remuneration, and the proportion is lower still for the 98 Board members in large companies (those with 500 or more employees), where only 10% receive less than CHF 15,000.

This picture is reversed for higher levels of remuneration (CHF 50,000 or more). Just 8% of the 114 Board members representing small companies receive this level of remuneration, a markedly lower proportion than the average of all respondents (31%). Of the 97 Board members in medium-sized companies, the proportion is 19%, while for those in large companies, it is more than twice the average, at 69%.

Board members were also asked whether the level of remuneration was an important factor in accepting a Board mandate. 81% of those surveyed disagreed somewhat or strongly (47% and 34% respectively), while for the remaining 19% of Board members surveyed, this criterion is somewhat or very important (6% and 13% respectively).

Listed companies are bound by legislation on remuneration for Board members, including the Ordinance against Excessive Compensation at Listed Companies (VegüV), which imposes obligations on companies to have remuneration approved at the highest level by the General Meeting, to convene a compensation committee, etc. This means that unlisted companies have significantly more latitude in determining remuneration.

**Chart 7. Total level of remuneration**



**Question: Approximately what total level of remuneration do you receive for your work on the Board of Directors?**

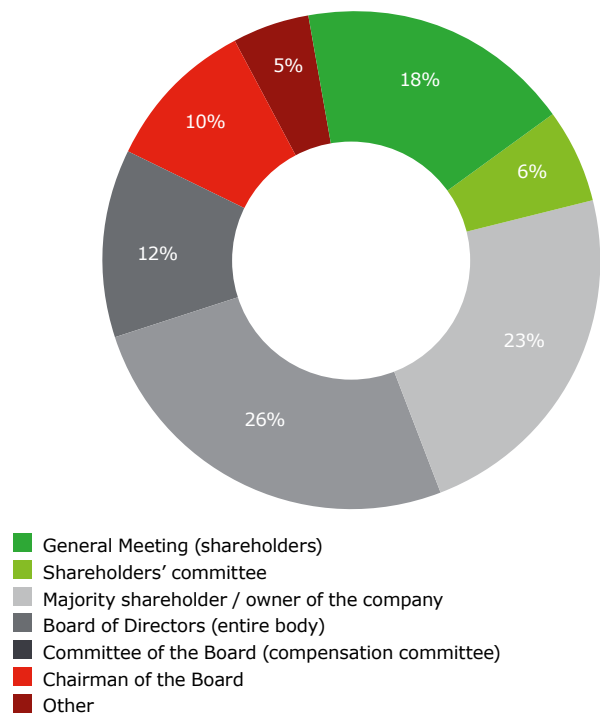
The swissVR Monitor survey asked Board members who within their company is responsible for **proposing levels of remuneration**. The responses to this question are difficult to interpret because not all respondents distinguished clearly between responsibility for proposing the level of remuneration and responsibility for making the decision.

As Chart 8 shows, just under half of all Board members surveyed (47%) indicated that the shareholders are responsible for proposing the level of remuneration: more specifically, 23% said that responsibility lies with the **majority shareholder or owner of the company**, 6% with the **shareholders' committee** and 18% with the **General Meeting (shareholders)**.

In the remaining 48% of cases, responsibility for proposing Board members' remuneration lies with the Board of Directors itself. In 26% of cases, the **entire Board of Directors** is responsible; in 12%, it is the **compensation committee**; and in the remaining 10% of cases, responsibility lies with the **Chairman of the Board**. It should be noted that (major) shareholders also, of course, have seats on the Board of Directors.

In a small minority of cases (5%), Board members' remuneration is proposed in some other way, such as being determined by the national or regional (cantonal) government, or by applying cantonal criteria for payments for each meeting attended.

**Chart 8. Responsibility for proposing level of remuneration**



**Question: Who proposes the level of Board remuneration in your company?**

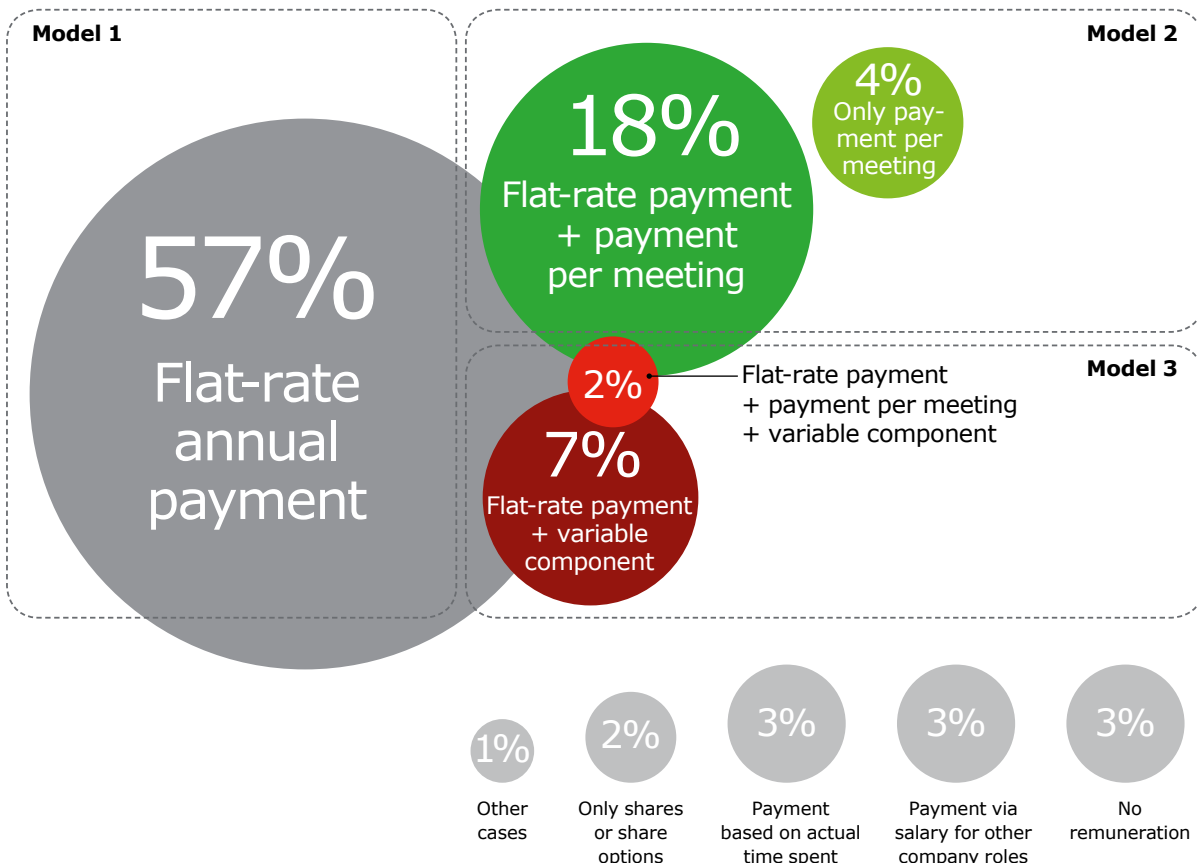
## Remuneration models and types of payment

The survey findings show that remuneration models for Board members are simple and pragmatic. Almost three in five Board members surveyed (57%) receive a **flat-rate annual payment**, which normally reflects the individual's role on the Board and the time they spend on Board activities (see Chart 9, Model 1). A further one in five Board members (22%) receive a **flat-rate annual payment plus payment for each meeting they attend** (18%) or a **payment only for each meeting attended** (4%) (Model 2).

Around one Board member in ten (9%) receives a **variable component based on company results** over and above their flat-rate payment (7%) or payment for each meeting attended (2%) (Model 3).

A further 12% of Board members surveyed indicated other methods of remuneration: 3% are paid **according to actual time spent** on the role; 3% are paid **via their salary for other company roles**; 2% receive **only shares or share options** and 3% receive **no remuneration**.

Chart 9. Remuneration models



Question: How are you remunerated for your work on the Board of Directors?



It is also interesting that only two Board members in five (42%) are explicitly reimbursed for expenses, with around half receiving a flat-rate payment (23%) and slightly fewer reimbursement on the basis of actual expenses (19%). It can be assumed that in the case of the remaining 58%, expenses are implicitly included in Board remuneration.

Only around 9% of those surveyed receive a variable remuneration component dependent on company results, reflecting the rules on corporate governance, which stipulate that Board members' remuneration should not involve the same incentive mechanisms as apply to management remuneration. Some observers also believe that Board members should not receive remuneration based on (short-term) company performance but should be acting in the best interests of the company and that their remuneration should not therefore be based on company success. Where it is, the basis should be the business's long-term success, since members of the Board of Directors are responsible for strategy and the company's long-term performance.

A long-term incentive of this kind can take the form of having part of a Board member's remuneration made via blocked shares. 12% of those surveyed receive part of their remuneration in the form of shares and 3% in the form of share options. In the majority of cases, this concerns listed companies (15% of respondents). In the case of unlisted companies (except some start-ups), it is often not a sensible option for owners to expand the shareholder base by using shares as Board member remuneration. However, remuneration components in the form of discounted company products or services may be a sensible option. 5% of those surveyed receive such discounts as (part of) their remuneration.

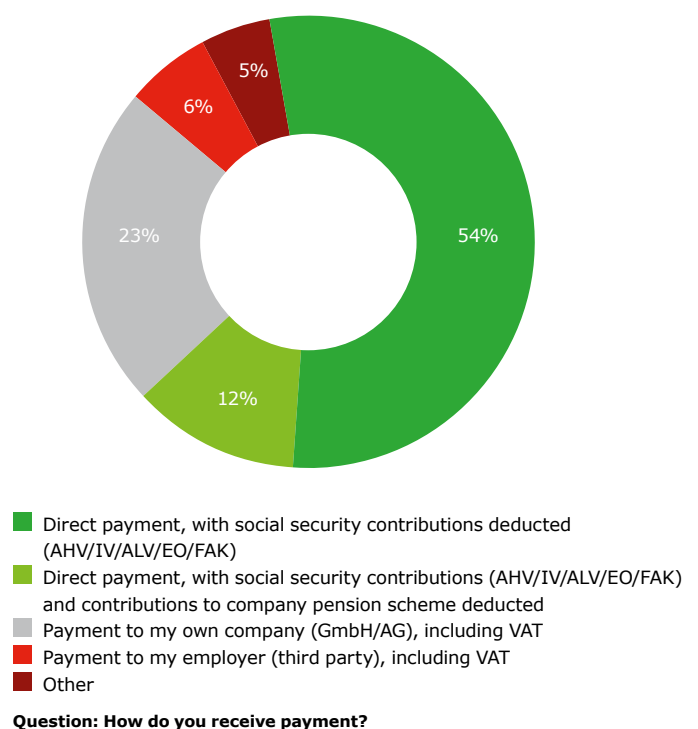
The system of flat-rate remuneration allows to reflect the varying additional roles occupied by Board members, including Chairman or Deputy Chairman or a committee member or Chair. However, remuneration seldom reflects the actual time and effort involved in such roles or the value to the company. Just 3% of those surveyed report that their remuneration depends on their actual performance, although some respondents appear to have taken this to mean time spent on the role.

This could be attributed to the difficulty in effectively measuring the work an individual Board member actually does or the value it adds to the company. Moreover, where a Board member does not perform as expected, it could be preferable for that individual to resign their mandate rather than have their remuneration reduced.

For more than half of those surveyed (54%), **payment** is made directly to the Board member with social security contributions deducted (AHV/IV/ALV/EO/FAK) (see Chart 10). A further 12% also receive their payment net, not only of social security contributions but also of contributions to the company pension scheme.

Just under one-quarter of Board members (23%) receive payment via their own company (GmbH/AG) including VAT, while in 6% of cases, payment is made to the Board member's employer.

**Chart 10. Type of payment**



Overall, the findings reveal a very diverse picture in relation to remuneration. This is not surprising given the wide variation in time commitment, responsibility and risk, and workload. Respondents also report holding a range of functions within their Board (35% as Chairman of the Board, for example, and 7% as a Board delegate). A significant majority of Board members surveyed favour certain priorities in relation to remuneration. For instance, most Boards seek to be very transparent with regard to shareholders and also believe that the level of remuneration should be determined by factors including the role an individual member plays and his or her time commitment to the role. The overall picture also reflects a preference for remuneration models that are as simple as possible, with a flat-rate annual payment and, possibly, payment for each meeting attended.

# Interview with Karin Lenzlinger Diedenhofen

“The responsibility, the professionalism and the scope of tasks of Board members have increased significantly.”

**swissVR asked experienced Board member Karin Lenzlinger Diedenhofen to comment on the findings of the swissVR Monitor II/2018.**

**swissVR:** Our survey results show that the annual time spent on Board activities varies markedly between Board members. In your experience, what are the main areas Board members spend their time on?

**Karin Lenzlinger Diedenhofen:** I think the main drivers definitely include evaluating and collaborating on strategy and key trends, as well as HR and leadership issues. Board members also need to monitor and evaluate how the business is doing, as part of which they should ideally be holding additional meetings with senior managers and external colleagues from the sector to deepen their expertise. In addition, they need to be evaluating complex projects in connection with restructuring as well as risks and crises; unfortunately, evaluation of risk and compliance is a major requirement in the financial sector.

**swissVR:** Two-thirds of those surveyed believe that the time they spend on Board activities is the most important criterion for determining their remuneration. Half believe that responsibility and risk is another important criterion. Which criteria do you consider most important?

**Karin Lenzlinger Diedenhofen:** I think remuneration should be based primarily on a definition of the responsibilities a Board member has that may influence his or her time commitment (such as the number of meetings), the size of the company (which can have an indirect influence on responsibilities), the individual's role on the Board, including participation in committee work and comparability with remuneration for the management team. The company's general profitability might also have a minor importance.

**swissVR:** The overwhelming majority of those surveyed believe that remuneration within their Board is fair. Have you found instances of unfair allocation across a Board or, at least instances where members perceived the allocation as unfair, for example because individual members receive the same remuneration for very different levels of time commitment and involvement?

**Dr. Karin Lenzlinger Diedenhofen** was CEO of



Lenzlinger Söhne AG, a fifth-generation traditional family business, between 1999 and 2015. Since 2015, she has been a delegate of the Board of Directors. With doctorates from the Boston University and the University of St. Gallen, Dr. Lenzlinger Diedenhofen is Vice-Chair of the Board

of the SV Group AG, President of Zürcher Oberland Medien AG and a member of the Board of Bank Linth LLB AG and MCH Group AG. As President of the Zurich Chamber of Commerce, a member of the Board of *economiesuisse* (the umbrella organisation of the Swiss economy), Vice-President of the Swiss parquet flooring industry and a delegate to *bauenschweiz* (the umbrella organisation for the construction industry in Switzerland), she is also involved in a range of associations and organisations.

**Karin Lenzlinger Diedenhofen:** Yes, I have seen Boards where that was the case and the issue needed to be addressed. However if changes have not been made, it had often an impact on the composition of the Board.

**swissVR:** Who do you think should be responsible for proposing levels of remuneration for Board members? And who should take the final decision?

**Karin Lenzlinger Diedenhofen:** If there is a compensation committee, it should propose the level of remuneration. Otherwise, the proposal should come from the Chairman of the Board. It makes great sense to have external benchmarking. And the entire Board of Directors should then be responsible for making the decision.

**swissVR:** In your experience, have the role and responsibilities of the compensation committee changed over the past few years?

**Karin Lenzlinger Diedenhofen:** Yes, definitely. The responsibility, the professionalism and the scope of tasks of Board members have increased significantly. In some cases, the compensation committee has been transformed into an HR committee and now decides on the full range of HR strategy.

**swissVR:** More than half of the Board members surveyed receive a flat-rate payment for their work on the Board, with 18% also receiving payment for each meeting they attend. Very few receive their remuneration on the basis of the company's business success or their own individual performance. Do you think that is the right approach?

**Karin Lenzlinger Diedenhofen:** Yes, I do think that is the right approach. However, I would prefer a smaller payment per meeting, rather than a single flat-rate payment.

**swissVR:** Do you see differences between large and small companies in terms of Board remuneration (remuneration components, payment setting, incentive systems, etc.)?

**Karin Lenzlinger Diedenhofen:** Not in general terms, no. However, as I said, the level of remuneration is influenced by a range of factors, so they vary widely.

**swissVR:** Is Board remuneration in family businesses a special case? What factors apply to family businesses?

**Karin Lenzlinger Diedenhofen:** In principle, family businesses are no different from any other. However, the Boards of small family businesses may have specific roles, which might be reflected in remuneration levels.

**swissVR:** Most of the Board members surveyed welcome transparency about remuneration in relation to shareholders as part of good corporate governance. Do you think this signals a shift towards greater transparency as a result of prominent examples of very high remuneration over recent years?

**Karin Lenzlinger Diedenhofen:** I think that's generally true, but the structure and size of the company and of the shareholder body determine how much transparency is necessary and meaningful.

# Notes



# Contacts and authors

## swissVR

### **Cornelia Ritz Bossicard**

President swissVR  
+41 41 757 67 11  
cornelia.ritz@swissvr.ch

### **Felix Schmutz**

Chief Executive swissVR  
+41 41 757 67 27  
felix.schmutz@swissvr.ch

## Deloitte AG

### **Reto Savoia**

Vice Chairman & Deputy CEO Deloitte  
Switzerland  
+41 58 279 60 00  
rsavoia@deloitte.ch

### **Dr. Michael Grampp**

Chief Economist and Head of Research,  
Communication & Digital  
+41 58 279 68 17  
mgrampp@deloitte.ch

### **Dr. Philipp Merkofer**

Senior Research Analyst  
+41 58 279 60 46  
pmerkofer@deloitte.ch

## Hochschule Luzern

### **Prof. Dr. Christoph Lengwiler**

Lecturer at the Institute of Financial  
Services Zug (IFZ), Lucerne University  
of Applied Sciences and Arts and  
Vice-President swissVR  
+41 41 757 67 51  
christoph.lengwiler@hslu.ch

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