

executive pay levels

# funds attack 'fat cat' pay at largest five Swiss firms

Institutional investors in Switzerland are to make a rare foray into shareholder activism next year in an effort to curb what they believe are irresponsible levels of executive pay at some of the country's biggest companies.

Eight Swiss pension funds have submitted shareholder resolutions for the 2009 annual meetings of the largest five Swiss listed companies – ABB, Crédit Suisse, Nestlé, Novartis and UBS – requesting amendments to their articles of incorporation to give shareholders an advisory vote on remuneration reports.

Switzerland is the only leading country in the Organization for Economic Co-operation and Development without legislation giving shareholders an automatic right to express views on executive pay. The investors, which include local authority pension funds in Bern, Geneva, Lucerne and Zurich, say they will therefore have to take action themselves.

Their determination has been

strengthened by the global financial crisis, which has heightened public and investor awareness of fat cat pay against a background of job losses and plunging share prices. The co-filers say recent events 'have demonstrated that bad pay structures can have very negative consequences' on strategy, causing short-term thinking and irresponsible behaviour.

The proposals ask boards to establish reports for their annual meetings outlining their remuneration system and payments during the previous financial year to board members and senior executives. Then the shareholders' general meetings would have an advisory vote on the remuneration report.

This would bring the companies more into line with UK practice, where advisory votes have been a legal right for several years. A number of other European countries, such as Denmark, the Netherlands and Sweden, go further by giving

shareholders the legal right to a binding, rather than an advisory, vote on remuneration policy.

Ethos, the Swiss partner of the European Corporate Governance Service, is co-ordinating the campaign and is encouraging other investors to follow suit. It said the funds behind the resolutions, which collectively manage SFr53 billion (£29bn, \$44bn) in assets, hope they will eventually lead to a law change.

A recent Ethos study of executive remuneration in 48 listed Swiss companies found 'inappropriate' and 'excessive' pay levels, especially when examined in the light of company performance.

UBS, Switzerland's largest bank, is reviewing bonuses after losses of SFr45 billion in the sub-prime mortgage market – and has said it will support the funds' proposals. However, it is not yet clear whether the other companies will follow suit.

Further information: [www.ethosfund.ch/e/ethos-foundation/default.asp](http://www.ethosfund.ch/e/ethos-foundation/default.asp)