

Say-on-pay and shareholder engagement

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Executive remuneration in the pharmaceutical groups has been a subject of public debate in Switzerland for many years. In February 2013, shortly before a popular vote on an initiative against excessive remuneration, Novartis disclosed a non-compete agreement with its departing chairman under which payments of up to about CHF 72 million could have been made over several years. After strong public criticism, the agreement was cancelled. The episode contributed to the clear acceptance on 3 March 2013 of the popular initiative "against rip-off salaries", commonly named after its initiator, the Schaffhausen entrepreneur Thomas Minder.¹

The initiative inserted Article 95 para. 3 into the Federal Constitution, which was implemented provisionally by the Ordinance against Excessive Remuneration in Listed Companies (VegüV) from 1 January 2014. Since 2023, its provisions have been incorporated into the Code of Obligations. Shareholders of listed Swiss companies now vote annually and bindingly on the total remuneration of the board and executive management, while severance payments and advance payments are prohibited. Board members must be elected individually for a term of one year. Pension funds, for their part, are required to exercise their voting rights in the interest of their insured persons.²

The rules have changed the relationship between the companies and their shareholders. Annual votes on remuneration have become an occasion for engagement with institutional investors and proxy advisers, whose recommendations influence the outcomes. Roche, with its controlling pool, faces less uncertainty in these votes, while Novartis must convince a dispersed shareholder base. At both companies, remuneration reports have become more detailed and the link between pay and performance more explicit. Shareholder activism in the narrow sense, with funds acquiring stakes to force strategic change, has played a smaller role at the Basel

pharmaceutical groups than at other Swiss companies, partly because of their size and partly, in the case of Roche, because of the family control.³

1 Notes

1. On the non-compete agreement between Novartis and its former chairman disclosed and cancelled in February 2013 and on the acceptance of the popular initiative "gegen die Abzockerei" in the vote of 3 March 2013, see the Novartis press releases of February 2013, the Federal Chancellery's official results and contemporary press reports. Amounts to be verified. ↩
2. On Article 95 para. 3 of the Federal Constitution, the Ordinance against Excessive Remuneration in Listed Companies (VegüV) in force from 1 January 2014 to 31 December 2022 and the incorporation of its provisions into Articles 732–735d of the Code of Obligations with effect from 1 January 2023, see the official compilations of federal law. To be verified. ↩
3. On remuneration votes at the general meetings of Roche and Novartis and the role of proxy advisers, see the minutes of the general meetings and the remuneration reports in the annual reports. The assessment of the role of activism is the author's own and to be verified. ↩

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