

Corporate governance of Swiss listed companies

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

Swiss listed companies operate under a governance framework combining binding company law, the rules of the exchange and recognised soft law. Since the company law reform that took effect in 2023, the rules on executive compensation, previously contained in an ordinance, are part of the Code of Obligations (CO).

1 Binding say-on-pay

Under Art. 735 CO, the general meeting of a listed company votes each year on the aggregate compensation of the board of directors, the executive management and any advisory board. These votes are binding. The articles of association determine whether the vote is prospective or retrospective. The board must prepare an annual compensation report, which is audited. Certain forms of payment, such as severance payments and advance payments of compensation, are prohibited for listed companies.

2 Annual elections and the independent proxy

Members of the board, the chair, the members of the compensation committee and the independent proxy are each elected individually by the general meeting for a term ending at the next ordinary general meeting. Shareholders can give instructions to the independent proxy, including electronically, and pension funds are required to exercise their voting rights in Swiss listed companies in the interest of their beneficiaries.

3 Board independence and diversity

Swiss company law does not prescribe a fixed number of independent directors. Investors and proxy advisers nevertheless expect a majority of independent non-executive members and independent audit and compensation committees. For large listed companies, Art. 734f CO

introduced gender representation benchmarks for the board and the executive management on a comply-or-explain basis, with transitional periods.

4 The Swiss Code of Best Practice

The Swiss Code of Best Practice for Corporate Governance, issued by the Swiss business federation, sets out recommendations on board composition, committees, compensation and shareholder relations. It is not binding law, yet listed companies generally follow it, and the exchange's corporate governance directive requires extensive disclosure in the annual report on a comply-or-explain basis.

5 What pays off in practice

- **Design the compensation system before the IPO.** Pay structures inherited from a private company often contain elements that are not permitted after listing.
- **Engage with proxy advisers.** Their recommendations influence many institutional votes.
- **Keep the articles current.** Several compensation rules must be anchored in the articles to be effective.

6 How Ressos Legal helps

I advise listed companies and companies preparing for an IPO on governance structures, compensation rules and the articles of association, and I support boards in their dealings with shareholders. [Contact me](#) for a first conversation.

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