

SWITZERLAND

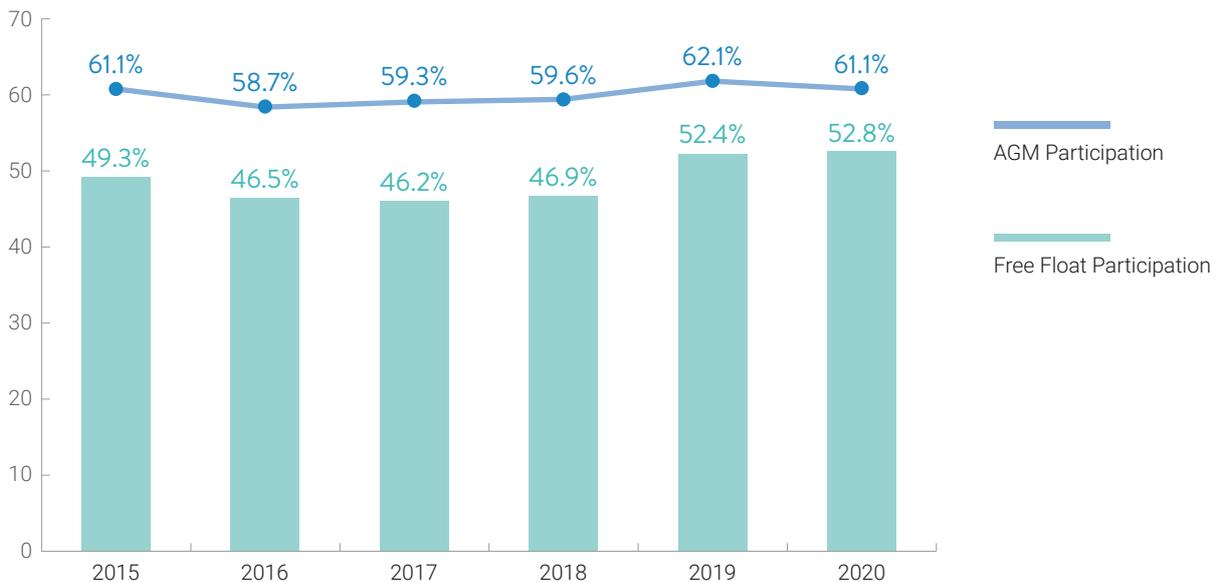
QUORUM

The Covid-19 pandemic also had its impact on the 2020 AGMs in Switzerland, though the quickly enacted ordinance by the federal council kept all SMI companies from postponing their shareholder meetings. Except for Novartis, which held its AGM before the Covid-19 implied lockdown, all issuers held non-physical general meetings with shareholder votes cast exclusively through the independent proxy. Despite unfavorable circumstances, shareholders' voting participation in SMI companies remained largely unchanged or, in case of free float participation, even increased slightly. A positive signal that shareholders value their voting rights.

85%

of the agenda items with the lowest support in 2020 relate to board elections; a clear signal that investors increasingly hold individual board members accountable.

MISSING TITLE

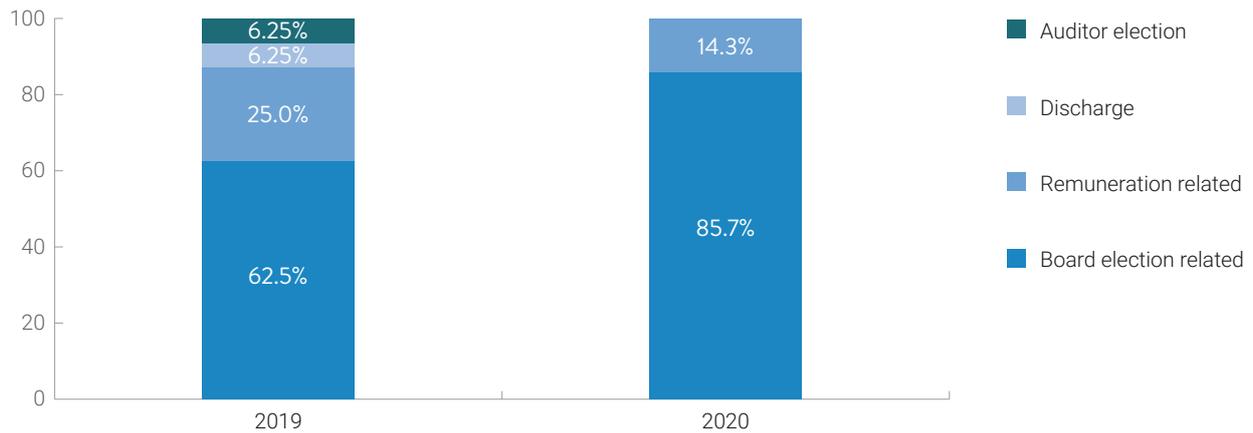


Going forward, the revised Swiss business law expected to come into force in 2022 will allow for fully-virtual shareholder meetings, though technical and legal requirements will be disproportionately higher than this year. Consequently, a prominent shift towards more virtual meetings is rather unlikely.

BOARD

In 2020, board elections continued to have high average approval rates, with little indication of concern. However, when considering only agenda items with less than **80%** support, board elections contribute more than **85%** to this group, and four elections would not have passed if only free float support was considered.

MOST CRITICAL AGENDA ITEMS (<80% SUPPORT)



Interestingly, the average fraction of AGAINST votes was higher for male than female board candidates, and in the most contested board elections, insufficient (gender) diversity was increasingly raised as an issue by investors. In SMI companies, the fraction of female board members has increased steadily, from a little under **18%** in 2015 to a bit over **28%** in 2020. This is not yet the minimum comply-or-explain level of **30%** for each gender that the revised business law stipulates, but there is still time as companies have a five-year transformation period (10 years in case of the **20%** executive committee gender ratio) after the revision comes into force, thus until about 2027.

REMUNERATION

Compensation-related votes raised little discussion and outcomes compared to those of last year. However, investors have started becoming more specific in who to hold accountable. Of the board election items receiving less than **80%** approval, almost **60%** concern elections to the compensation committee. The reason for these low approval rates was mostly due to consecutive years of shareholders' concern with compensation matters. The low approval rate was hence the result of a seemingly insufficient reaction to shareholder concerns.

OUTLOOK 2021

The 2020 AGM Season will be remembered as a transitional one in terms of governance and CSR, with prominent issues mostly muted by the Covid-19 pandemic. Significant challenges for the board of directors lay ahead though. The board will be in focus for the decisions taken in light of the Covid-19 crisis, with increased accountability for specific board functions and committees. Additionally, regulatory developments spilling over from the EU, particularly in relation to ESG disclosures, and the revised corporate law in Switzerland will pose additional challenges. Besides beneficial amendments to the latter, such as a capital band and the flexibility in organizing AGMs, the new corporate law will also increase uncertainties around the AGM. The independent proxy, generally representing approximately **75%** of the AGM votes and therefore often deciding the ballot, is only allowed to share the indicative voting outcome with the company three business days ahead of the AGM, while the hurdle for shareholders to request a shareholders' meeting or include items on the AGM agenda decrease notably.