

How is compensation impacted by COVID-19?

Survey – July 2021





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Introduction

General remarks

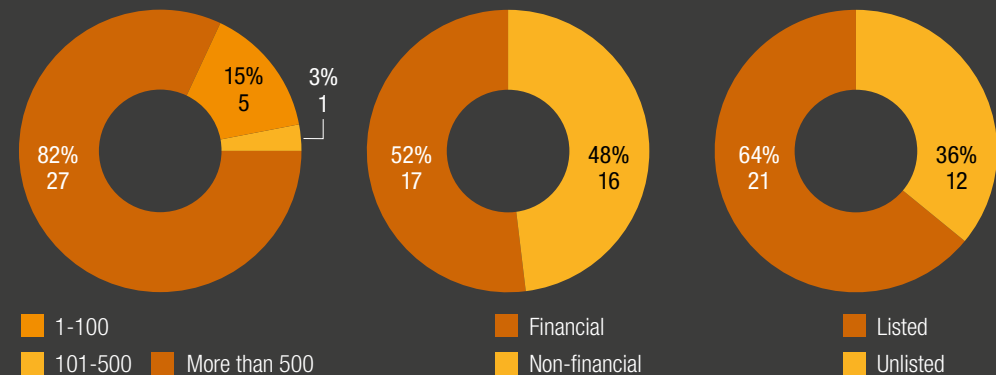
- In April 2020, we conducted the survey 'Compensation in the light of COVID-19' in order to understand what changes different companies envisaged regarding their compensation systems in light of the dynamic COVID-19 market environment.
- Now, it's time to reflect on the actions taken in the past – and to take a glance at the potential long-term impacts of COVID-19 on compensation systems.
- This survey provides a high-level overview of measures which were adopted by the participants in 2020 and potential further actions which are envisaged in 2021 (and beyond).
- This survey includes about 30 questions, focusing on the general business context, total compensation, annual bonus/short-term incentive (STI) and long-term incentive (LTI).

Please note that the survey was carried out on a voluntary and anonymous basis. Since not all participants answered all questions (also against the background that some companies do not operate all the elements of pay in scope), the number of participants can vary across the survey. The number of participants is disclosed accordingly. All results shall be considered as general indications rather than representative conclusions.

Participating companies

33 companies participated in the survey, covering Swiss and foreign corporations and ranging from small and medium-sized enterprises to large multinationals:

- 27 (82%) have 500 or more employees
- 6 (18%) have 500 or less employees
- 17 (52%) are financial firms
- 16 (48%) are non-financial firms
- 21 (64%) are listed on a stock exchange
- 12 (36%) are not listed



In a nutshell

Business context and total compensation

- Almost two-thirds of all companies perceive their business development during the COVID-19 crisis to be better than expected, giving positive signals to the market and mitigating the sometimes rather pessimistic economic forecasts by news and media.
- This positive perception is reflected in a low workforce redundancy: for around 80% of the companies, no COVID-19-related personnel reductions were necessary – for the remaining 20%, changes in the executive board, the other workforce or both were required to react to the challenging circumstances.
- The overall robustness is also mirrored in the ‘relatively’ low portion of firms applying for short-time allowances: almost 60% of all companies surveyed did not have to apply for federal subsidies.
- In terms of pay, around one-third of the companies took action by lowering total compensation for the executive board, while for the other workforce such measures were adopted in fewer than 20% of the cases.

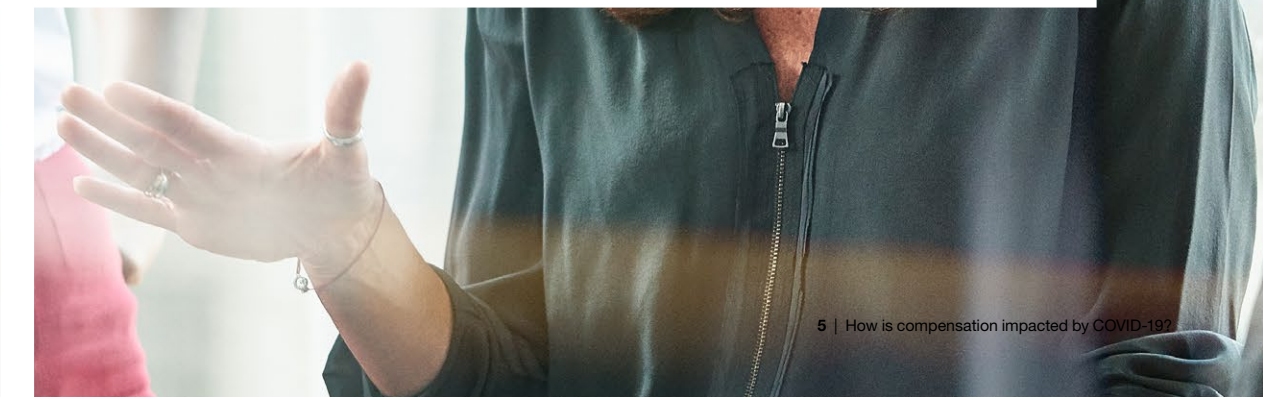
Short-term incentive (STI)

- From the companies reacting to the COVID-19 situation in terms of pay, most focused on the STI for the financial year 2020 (STI 2020), rather than taking corrective action for the current STI (STI 2021) or within the LTI plan cycles (LTI 2020 or LTI 2021, c.f. LTI box).
- Out of all the companies surveyed, around 25% adjusted the KPIs for the STI 2020, while 20% adjusted for the COVID-19 impact within the final performance assessment and fewer than 10% adjusted the payout curve – i.e. concrete measures in terms of STI 2020 were kept within limits.
- When it comes to discretion to the STI 2020 (payout increase/decrease), only a minority of companies applied discretion– and only one single firm changed the payout (partly or fully) from cash to equity due to COVID-19.
- Considering the STI 2021, only a handful of companies took action, either adjusting the KPIs or, in one case, the payout curve. No company applied any discretion or amended the final performance assessment.

Long-term incentive (LTI)

- In terms of the LTI 2020 and LTI 2021, the companies were rather hesitant to adopt any special measures or to make adjustments.
- For the LTI 2020, only one company in each case made a special one-off LTI grant, adjusted the KPIs (or plans to do so), intends to reflect the impact of COVID-19 in the final performance assessment or altered the vesting curve (or plans to do so) – no company amended the payout curve (or plans to do so).
- No firms applied any discretion to the payout in 2020 from previous LTIs, plan to do so for the LTI 2020 or intend to change the payout (partly or fully) from cash to equity.
- When it comes to the LTI 2021, the situation looks similar: only one company made a special one-off LTI grant and most firms intend to keep their LTI plans as they are – only a few individual companies plan to take action, either in terms of KPI, vesting curve or payout curve adjustments, while amendments to the final performance assessment, discretion or payout changes are not on the agenda.

Executive summary

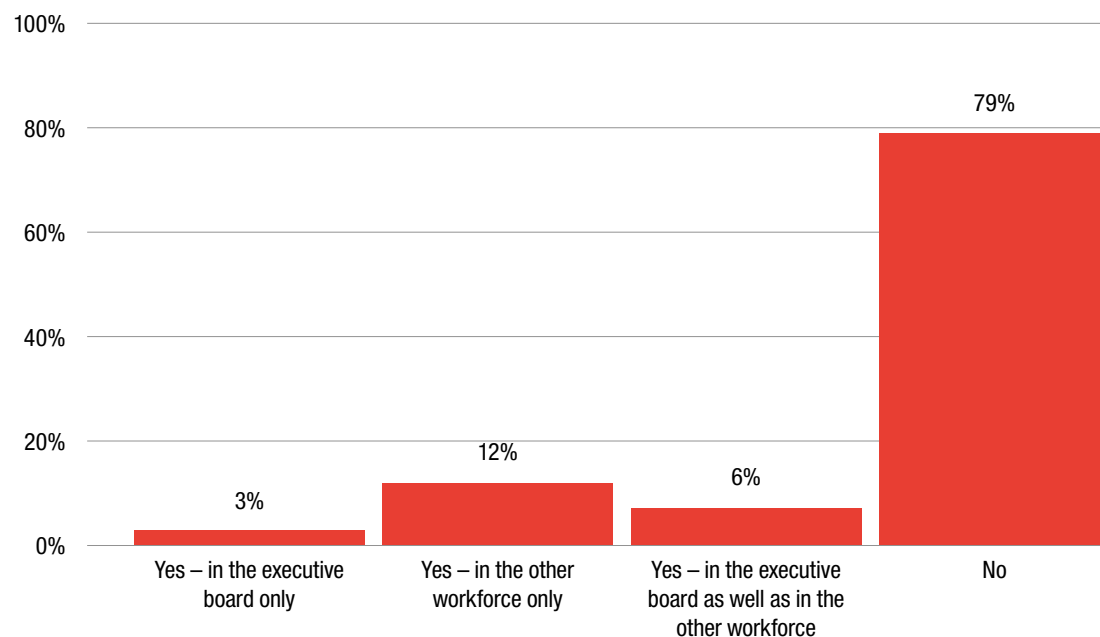


Business context and total compensation

General business context

While 24% (8) of the participants state that their company's business development in the COVID-19 environment is as expected, 61% (20) perceive it as better than expected and 15% (5) as worse than expected.

- For 79% (26) of the participants, no COVID-19-related personnel reductions were necessary within the company.
- 3% (1) of the participants were required to make personnel reductions in the executive board.
- 12% (4) had to make personnel reductions in the other workforce (i.e. other than executive board).
- 6% (2) made personnel reductions in the executive board as well as the other workforce.
- 58% (19) of the participants applied for short-time allowances, while 42% (14) did not.



Total compensation

- 31% (10) of the participants reduced total compensation for the executive board in 2020 due to COVID-19, while 69% (22) did not.
- For the other workforce, 19% (6) of the participants reduced total compensation, while 81% (26) did not.
- In 2020, the following items were raised in relation to 2020 compensation:
 - no salary increases in 2020
 - zero salary round in 2021
 - cash compensation waivers
 - deferral of bonus payments
 - payout of specific cash allowances
 - increase in short-time work compensation
- In addition, the subsequent changes are considered for 2021 and the future:
 - salary increase only for promotions
 - differing share price criteria to determine LTI grants
 - potential suspension of LTI performance indicators
 - increased transparency in compensation report on use of discretion

Short-term incentive (STI)

STI 2020

- 24% (6) of the participants adjusted the KPIs, focusing on both financial and non-financial KPIs (for both the executive board and the other workforce).
- 8% (2) of the participants adjusted the payout curve, focusing on either the lower threshold or the cap (for both the executive board and the other workforce).
- For the final performance assessment, 20% (5) of the participants excluded/adjusted for the impact of COVID-19 (for both the executive board and the other workforce).
- When it comes to discretion, 12% (3) and 20% (5) of the participants increased the payout for the executive board and the other workforce, respectively, and 4% (1) decreased the payout for both the executive board and the other workforce.
- For the other workforce, 4% (1) of the participants changed the payout partly or fully from cash to equity due to COVID-19.
- No changes were applied to the payout for the executive board.

STI 2021

- 16% (4) of the participants adjusted/plan to adjust the KPIs, focusing on both financial and non-financial KPIs (for both the executive board and the other workforce).
- 4% (1) of the participants adjusted/plan to adjust the payout curve, without giving further specification regarding the kind of adjustment (for both the executive board and the other workforce).
- For the final performance assessment, no participants excluded/adjusted or plan to exclude/adjust for the impact of COVID-19 (neither for the executive board nor the other workforce).
- When it comes to discretion, no participants took any action to the payout (neither for the executive board nor the other workforce).

Long-term incentive (LTI)

LTI 2020

- 5% (1) of the participants made a special one-off LTI grant for the other workforce due to COVID-19, while there were no special one-off grants for the executive board.
- 5% (1) of the participants adjusted/plan to adjust the KPIs for the executive board, focusing on financial KPIs – for the other workforce no changes were/are envisaged.
- No participants adjusted/plan to adjust the payout curve (neither for the executive board nor the other workforce).
- 5% (1) of the participants adjusted/plan to adjust the vesting curve for the executive board (extension of vesting period) – for the other workforce no changes were/are envisaged.
- For the final performance assessment, 5% (1) of the participants plan to exclude/adjust for the impact of COVID-19 for the executive board – for the other workforce no changes were/are envisaged.
- No participants applied discretion to the payout in 2020 from previous LTIs, plan to do so for the LTI 2020 payout or to change the payout partly or fully from cash to equity.

LTI 2021

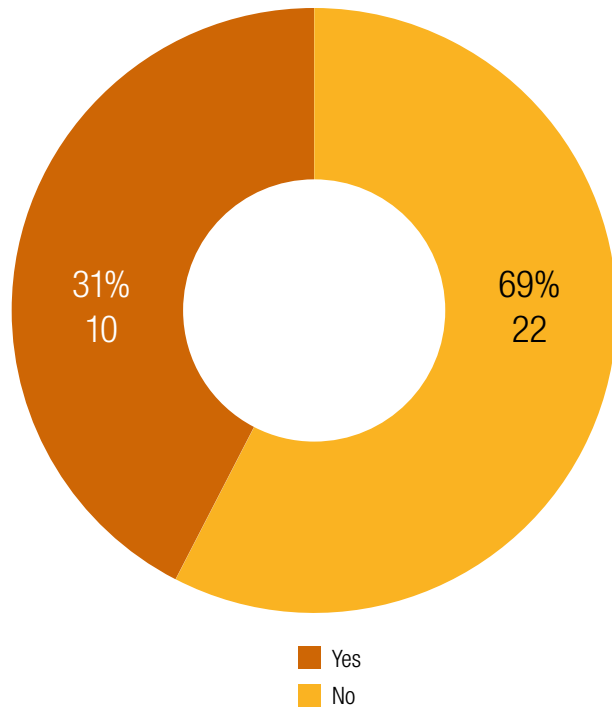
- 6% (1) of the participants made a special one-off LTI grant for the executive board due to COVID-19, while there were no special one-off grants for the other workforce.
- 11% (2) of the participants adjusted/plan to adjust the KPIs for the executive board, focusing on financial KPIs – for the other workforce no changes were/are envisaged.
- 6% (1) of the participants adjusted/plan to adjust the payout curve, focusing on target payout – for the other workforce no changes were/are envisaged.
- 6% (1) of the participants adjusted/plan to adjust the vesting curve for the executive board (not specified) – for the other workforce no changes were/are envisaged.
- For the final performance assessment, no participants plan to exclude/adjust for the impact of COVID-19 (neither for the executive board nor the other workforce).
- No participants plan to apply discretion to the LTI 2021 payout or to change the payout partly or fully from cash to equity.

Selected results

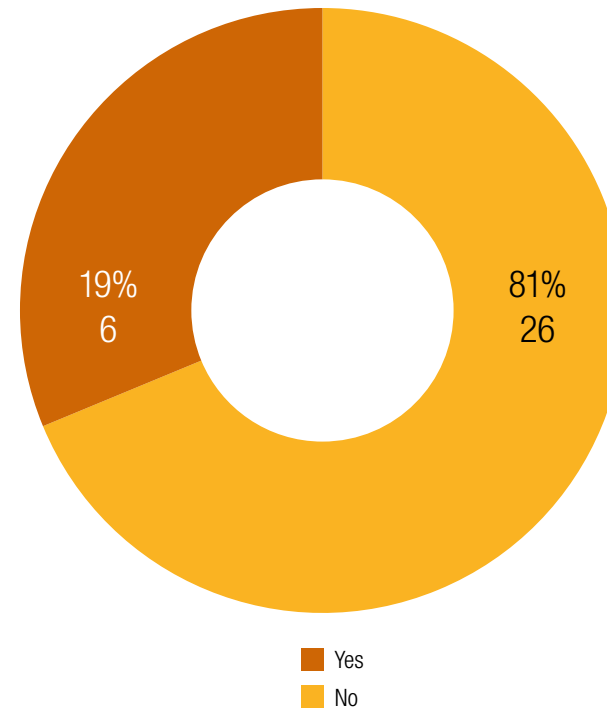


Total compensation

Was total compensation for the executive board in 2020 reduced due to COVID-19?
Number of participants: 32 / Interpretation: shares of total answers given



Was total compensation for the other workforce reduced in 2020 due to COVID-19?
Number of participants: 32 / Interpretation: shares of total answers given



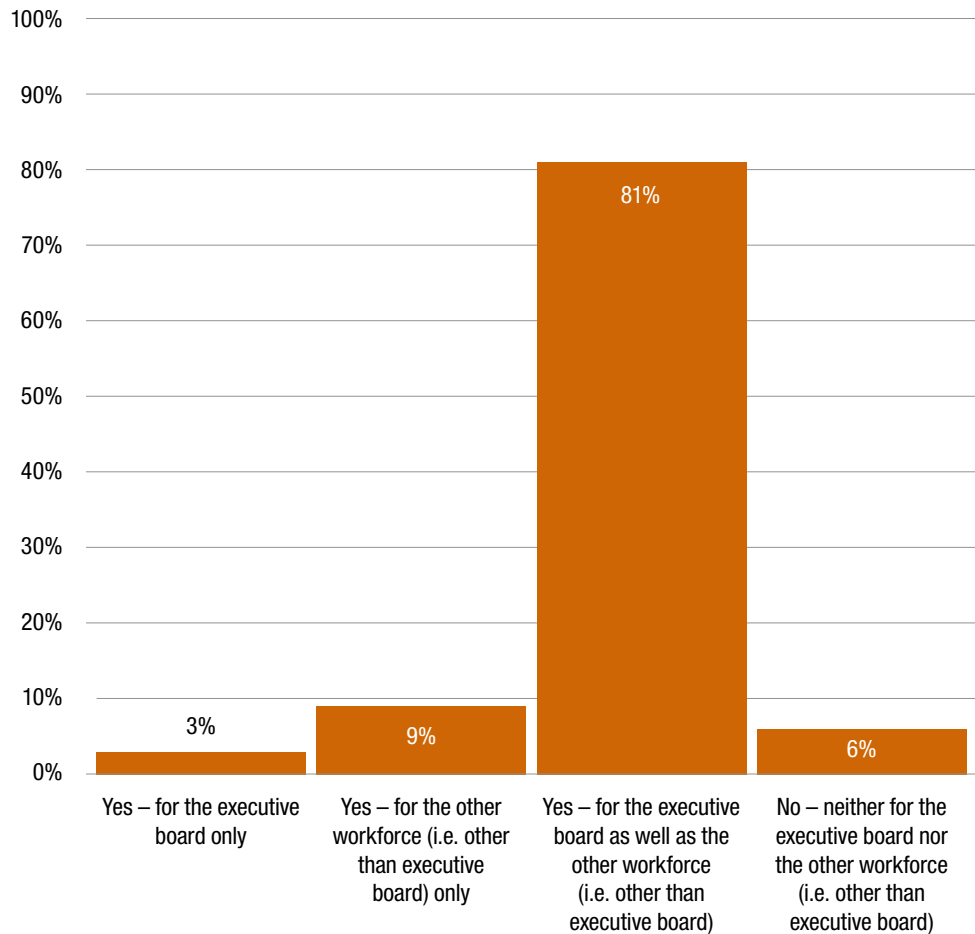


While 24% (8) of the participants state that their company's business development in the COVID-19 environment is as expected, 61% (20) perceive it as better than expected and 15% (5) as worse than expected.

STI 2020

Did you have an STI in place for 2020 (STI 2020)?

Number of participants: 32 / Interpretation: shares of total answers given



Under the STI 2020, did you adjust/change any performance measures (KPIs) due to COVID-19?

- For both the executive board and the other workforce, 6 out of 25 participants (24%) answered 'yes', while 18 (72%) answered 'no' and 1 (4%) 'n/a'.
- 4 out of the 6 participants who answered 'yes' adjusted/changed financial KPIs, while the remaining participants did so for non-financial KPIs or both financial and non-financial KPIs.

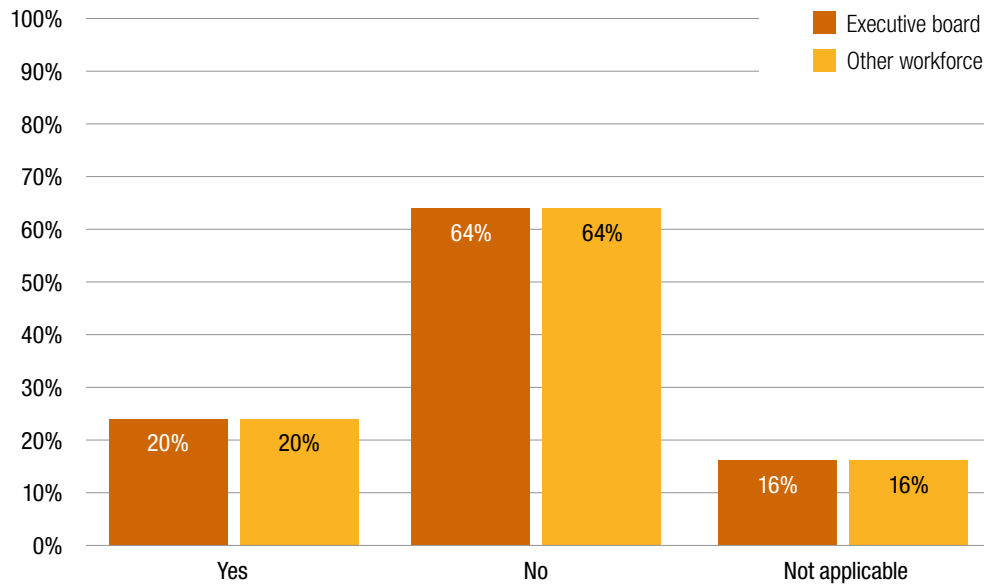
Under the STI 2020, did you adjust the payout curve due to COVID-19?

- For both the executive board and the other workforce, 2 out of 25 participants (8%) answered 'yes', while 22 (88%) answered 'no' and 1 (4%) 'n/a'.
- The participants who answered 'yes' adjusted either the lower threshold or the upper threshold (cap), while the target payout was not in focus.

STI 2020

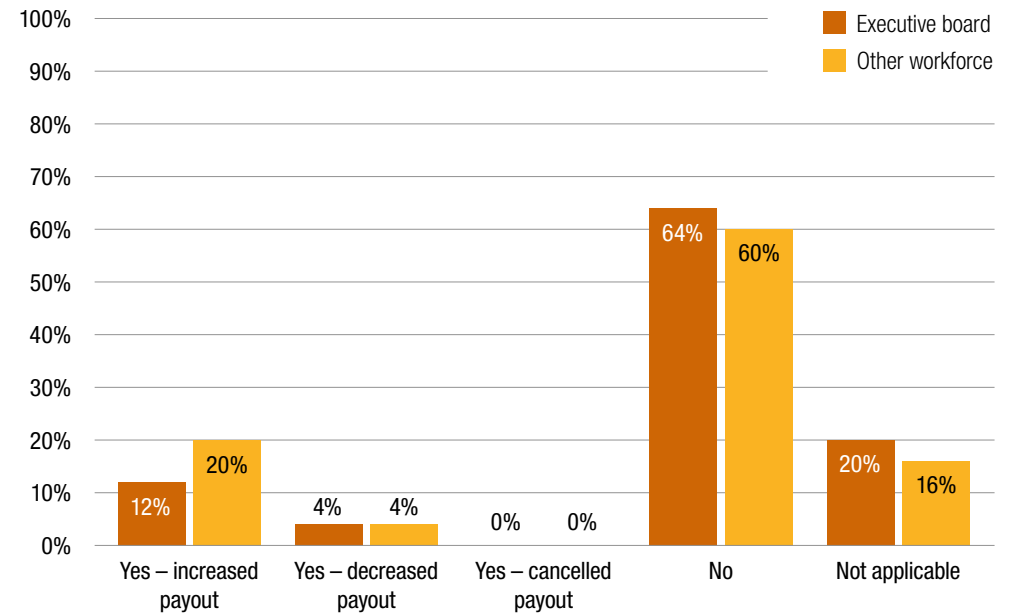
With respect to the final performance assessment for the STI 2020, did you exclude (or adjust for) the impact of COVID-19?

Number of participants: 25 / Interpretation: shares of total answers given



Did you apply discretion to the STI 2020 payout due to COVID-19?

Number of participants: 25 / Interpretation: shares of total answers given



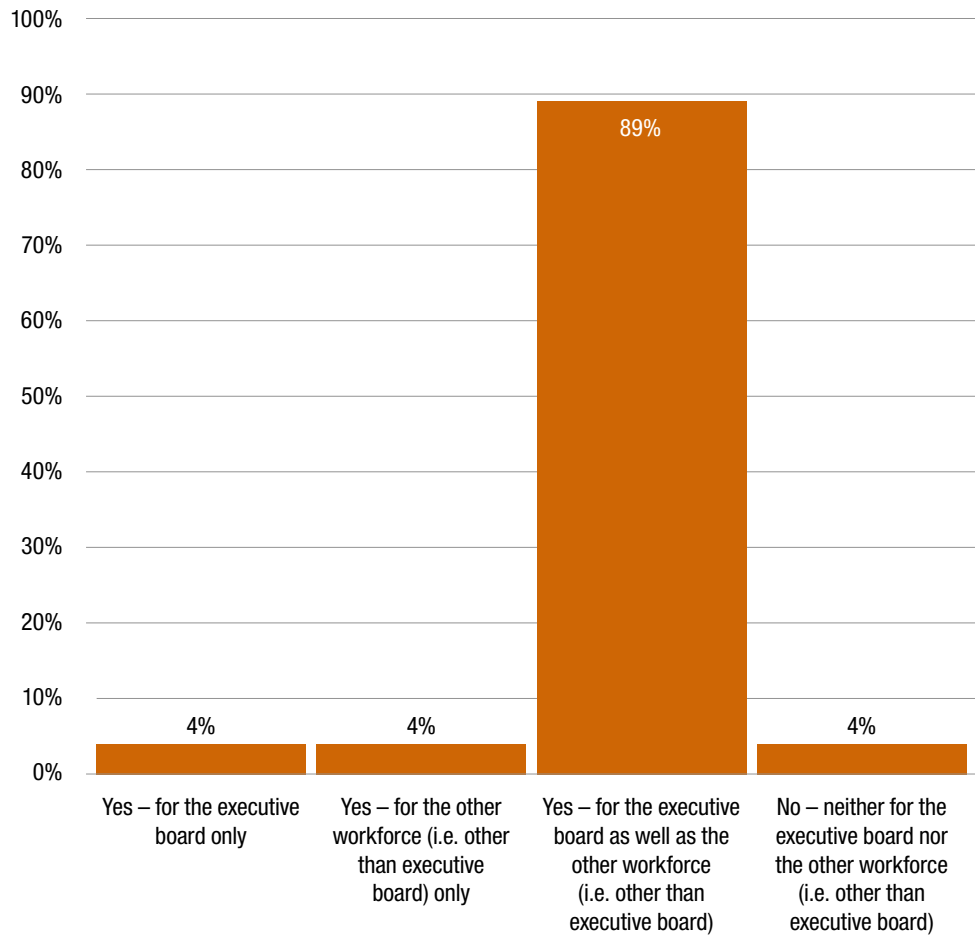
Did you change the payout of the STI 2020 partly or fully from cash to equity due to COVID-19?

- While for the executive board no participants answered 'yes' (21 'no' [84%] and 4 'n/a' [16%]), 1 out of the 25 participants (4%) answered 'yes' for the other workforce (20 'no' [80%] and 4 'n/a' [16%]).

STI 2021

Do you have an STI in place for 2021 (STI 2021)?

Number of participants: 27 / Interpretation: shares of total answers given



Under the STI 2021, did you adjust/change any performance measures (KPIs) due to COVID-19 (or do you plan to do so)?

- For both the executive board and the other workforce, 4 out of 25 participants (16%) answered 'yes', while 19 (76%) answered 'no' and 2 (8%) 'n/a'.
- 2 out of the 4 participants answering 'yes' adjusted/changed financial KPIs while the 2 other participants did so for both financial and non-financial KPIs.

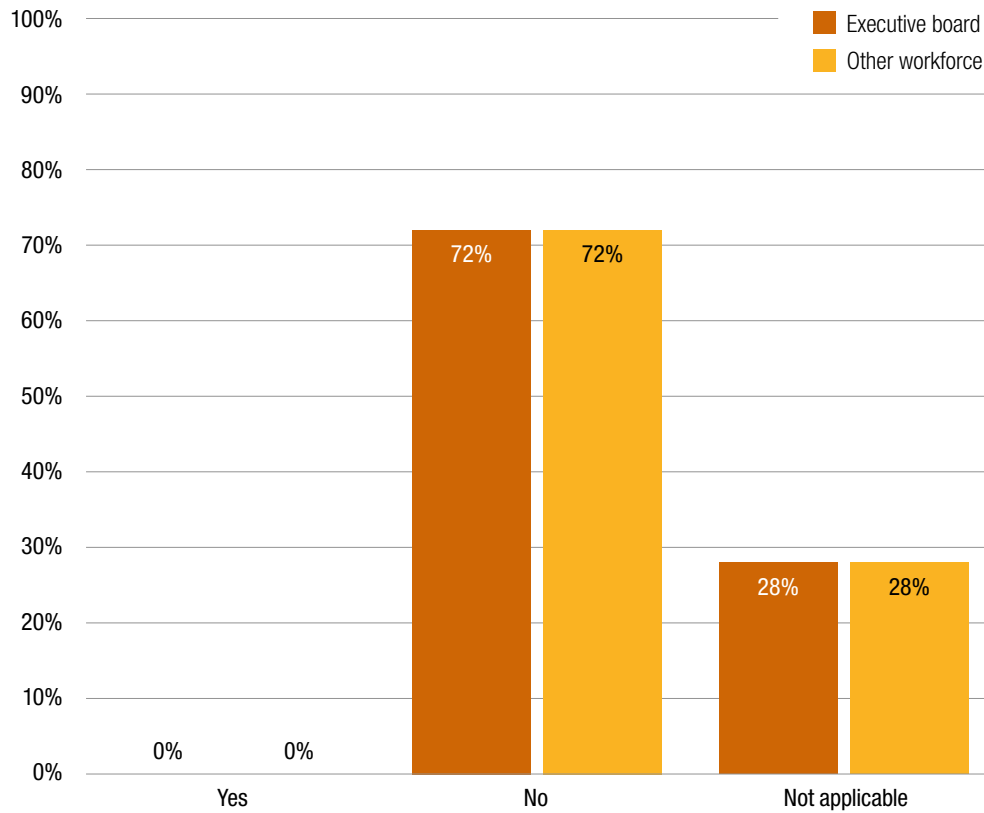
Under the STI 2021, did you adjust the payout curve due to COVID-19 (or do you plan to do so)?

- For both the executive board and the other workforce, 1 out of 25 participants (4%) answered 'yes', while 23 (92%) answered 'no' and 1 (4%) 'n/a'.
- No further specification was made by the participant(s) answering 'yes' with respect to the kind of adjustment.

STI 2021

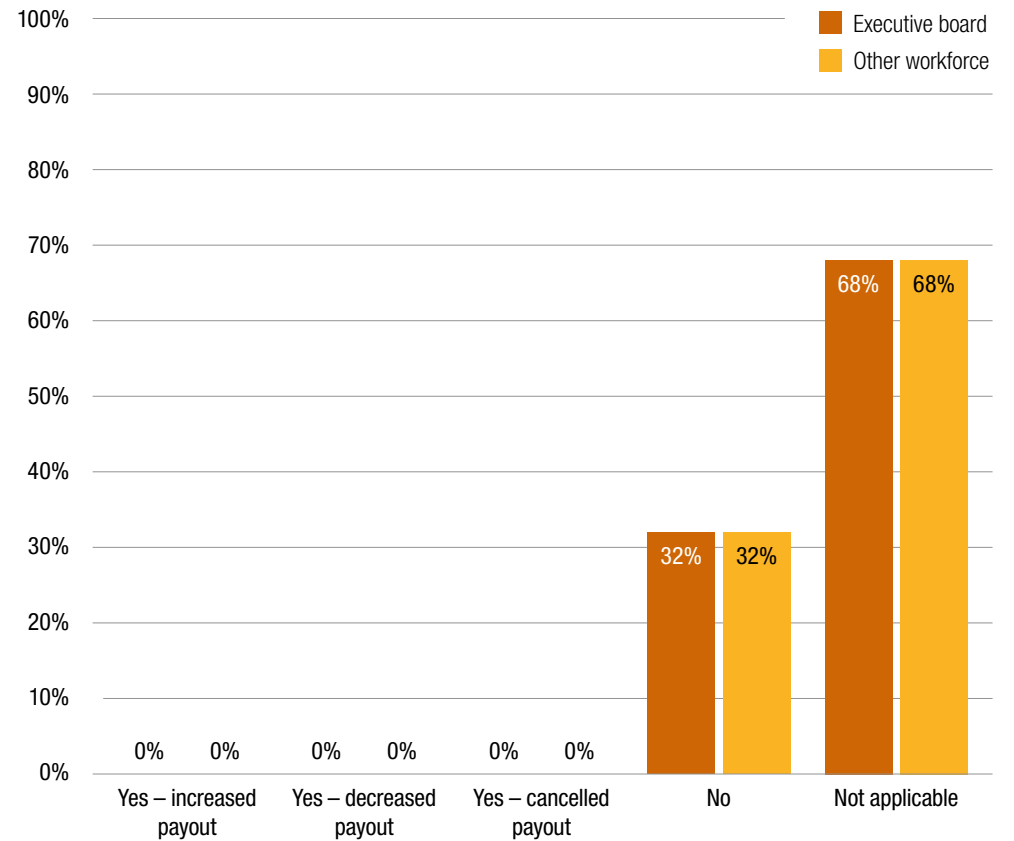
With respect to the final performance assessment for the STI 2021, do you plan to exclude (or adjust for) the impact of COVID-19?

Number of participants: 25 / Interpretation: shares of total answers given



Do you plan to apply discretion to the STI 2021 payout due to COVID-19

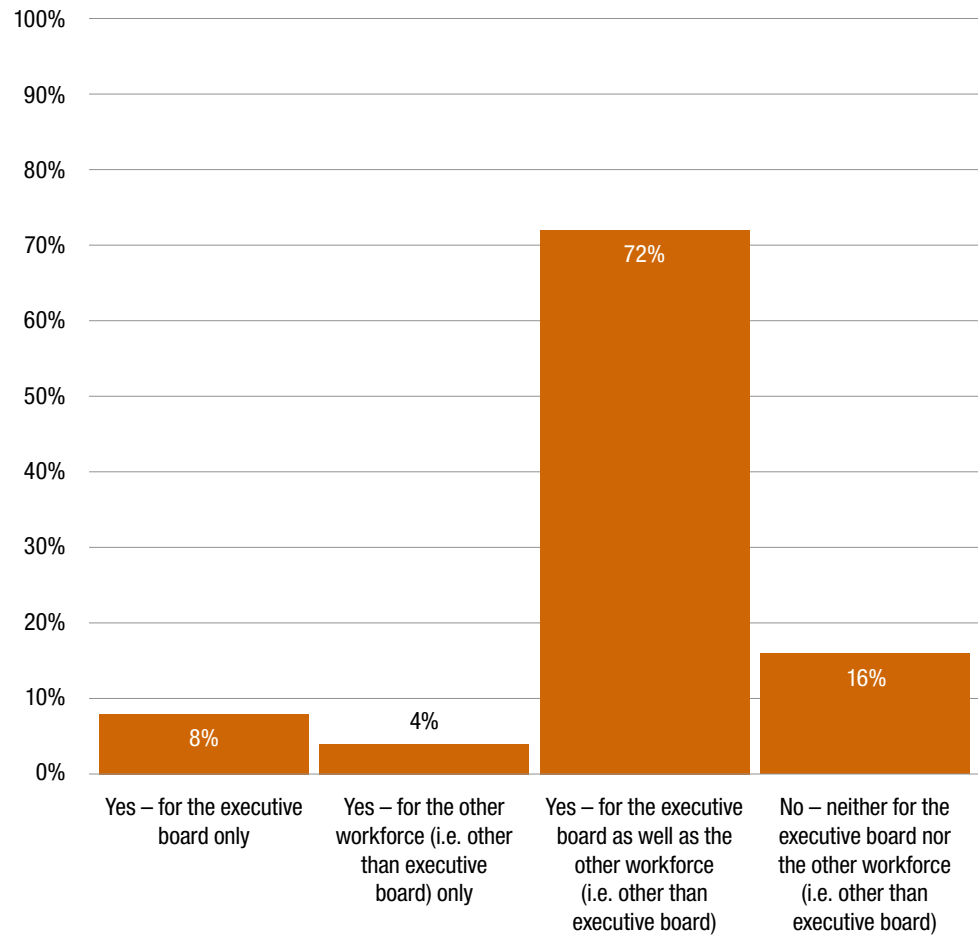
Number of participants: 25 / Interpretation: shares of total answers given



LTI 2020

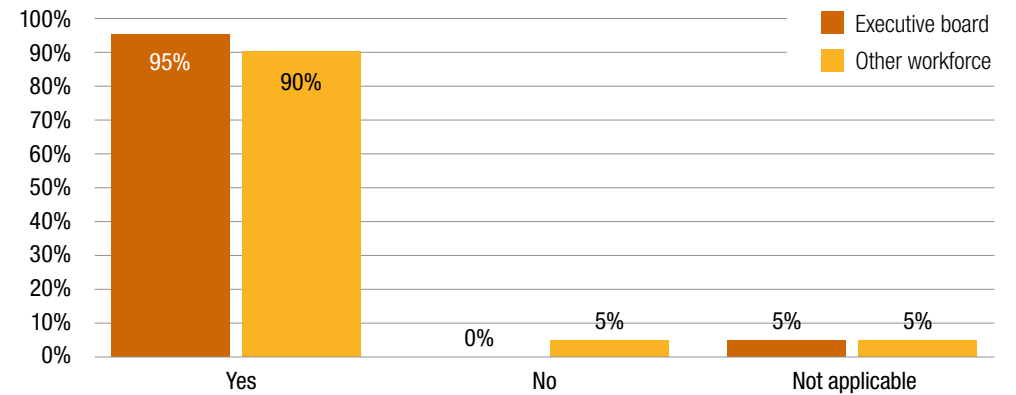
Did you have an LTI in place for 2020 (LTI 2020)?

Number of participants: 25 / Interpretation: shares of total answers given



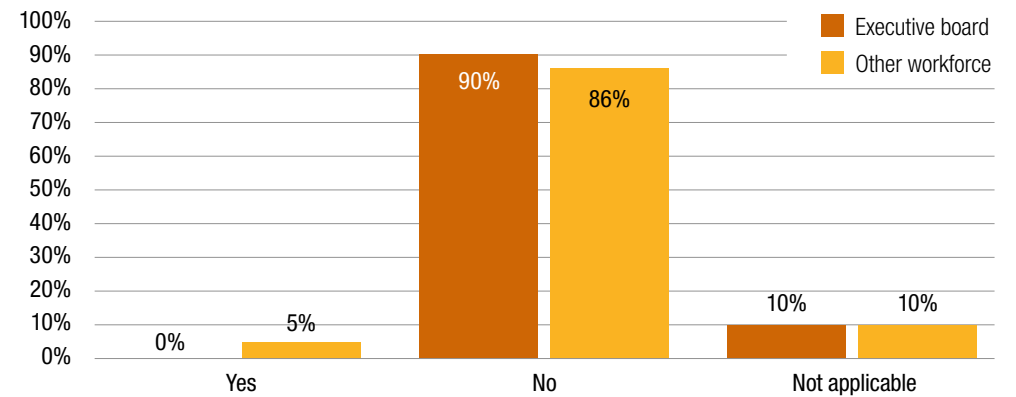
Did you make a grant under the LTI 2020?

Number of participants: 21 / Interpretation: shares of total answers given



Did you grant a special one-off LTI 2020 due to COVID-19?

Number of participants: 21 / Interpretation: shares of total answers given

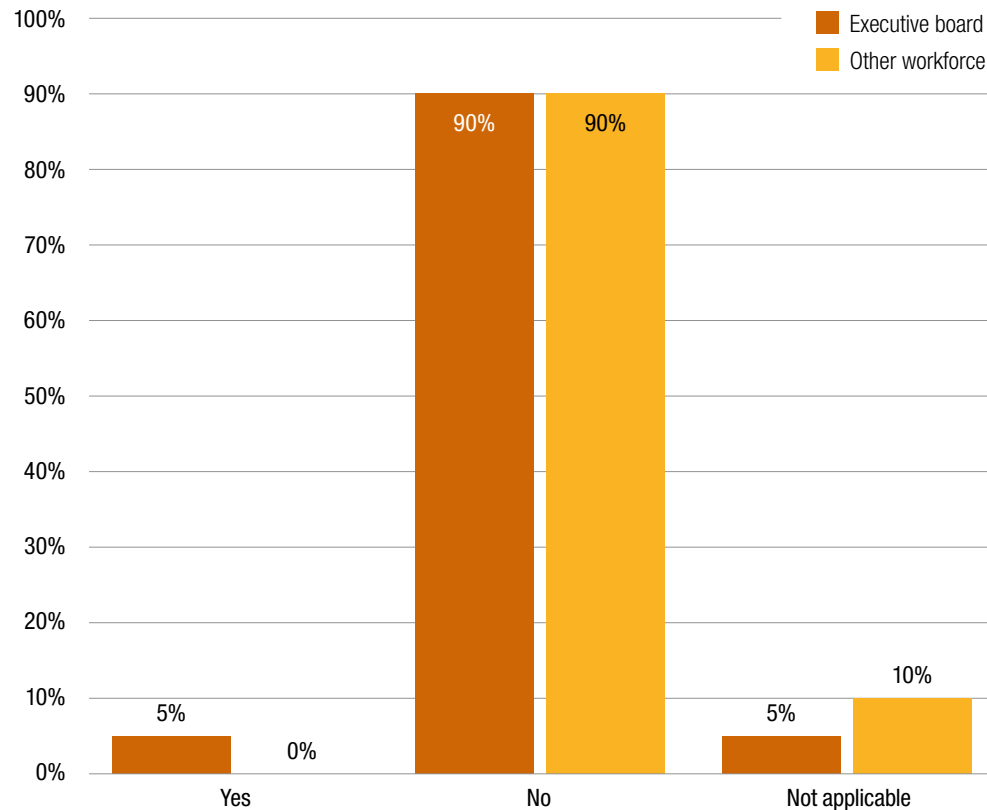


LTI 2020

Under the LTI 2020, did you adjust the vesting period due to COVID-19 (or do you plan to do so during the LTI 2020 cycle)?

Number of participants: 21 / Interpretation: shares of total answers given

The participant answering 'yes' for the executive board extended the vesting period



Under the LTI 2020, did you adjust/change any performance measures (KPIs) due to COVID-19 (or do you plan to do so during the LTI 2020 cycle)?

- While for the other workforce no participants answered 'yes' (17 'no' [81%] and 4 'n/a' [19%]), 1 out of the 21 participants (5%) answered 'yes' for the executive board (18 'no' [86%] and 2 'n/a' [10%]).
- The participant who answered 'yes' for the executive board adjusted/changed financial KPIs.

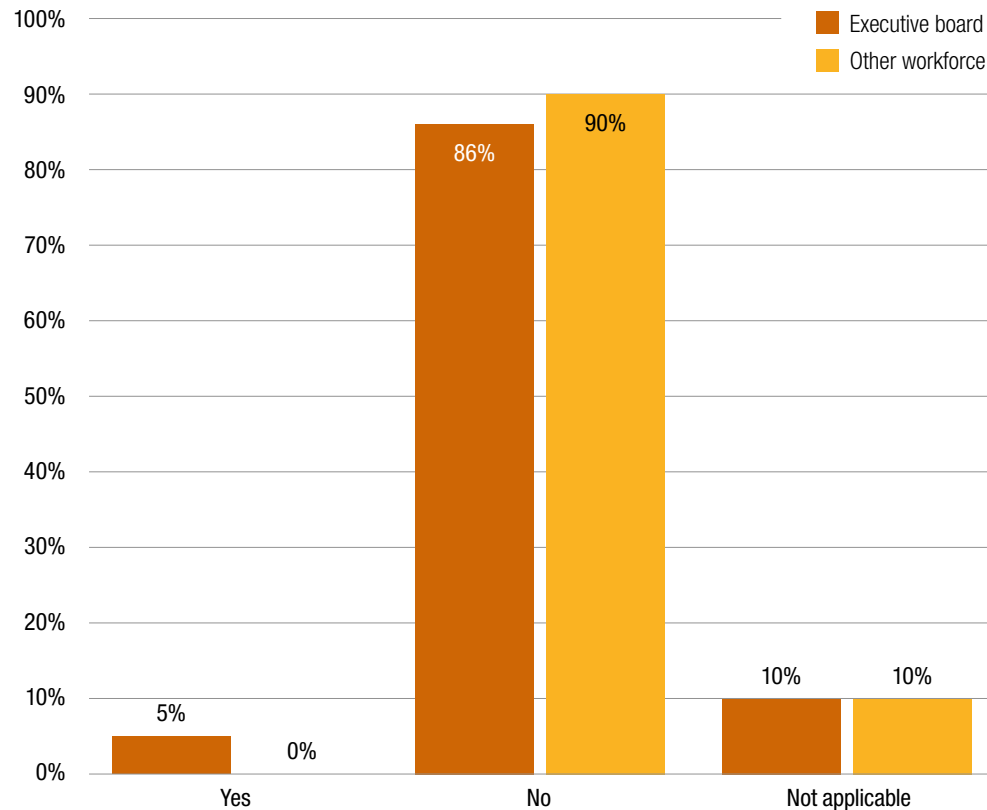
Under the LTI 2020, did you adjust the payout curve due to COVID-19 (or do you plan to do so during the LTI 2020 cycle)?

- None of the 21 participants answered 'yes', neither for the executive board (19 'no' [90%] and 2 'n/a' [10%]) nor the other workforce (18 'no' [86%] and 3 'n/a' [14%]).

LTI 2020

With respect to the final performance assessment for the LTI 2020, do you plan to exclude (or adjust for) the impact of COVID-19?

Number of participants: 21 / Interpretation: shares of total answers given



Do you plan to apply discretion to the LTI 2020 payout due to COVID-19?

- None of the 21 participants answered 'yes', neither for the executive board nor the other workforce (15 'no' [71%] and 6 'n/a' [29%] for both).

Did you apply discretion to the payout in 2020 from previous LTIs due to COVID-19?

- None of the 21 participants answered 'yes', neither for the executive board nor the other workforce (17 'no' [81%] and 4 'n/a' [19%] for both).

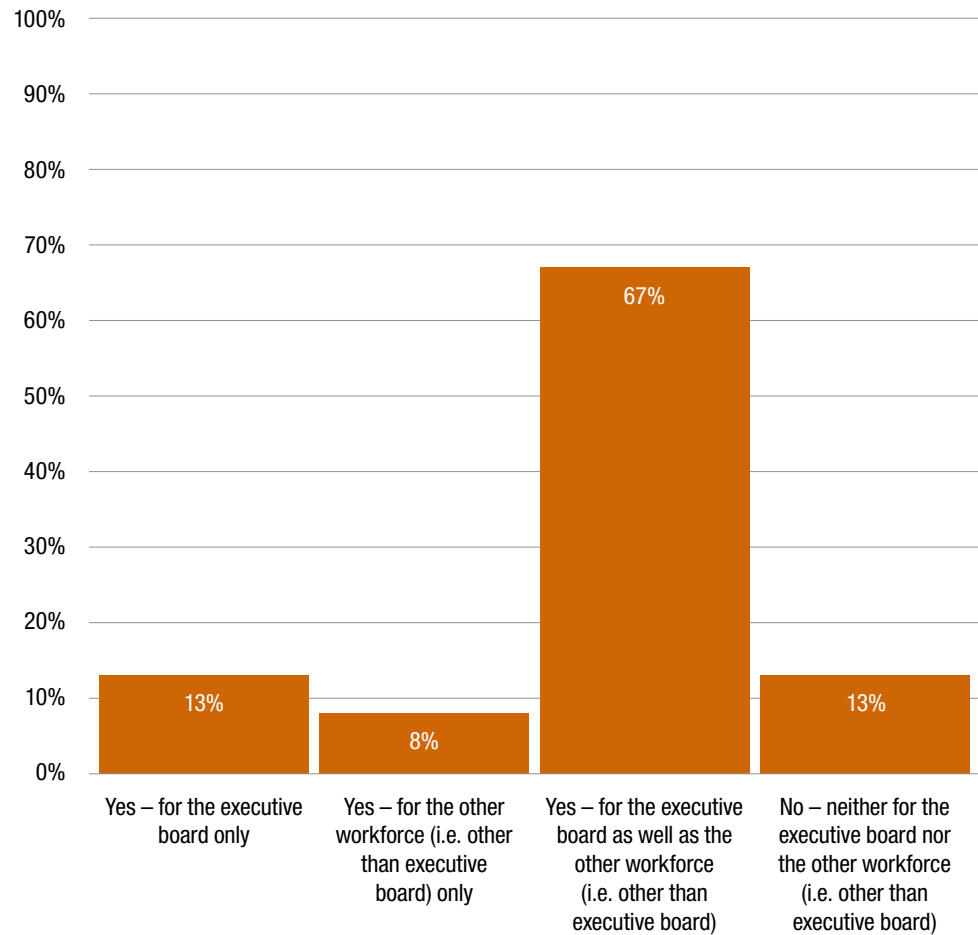
Do you plan to change the payout of the LTI 2020 partly or fully from cash to equity due to COVID-19?

- None of the 21 participants answered 'yes', neither for the executive board nor the other workforce (13 'no' [62%] and 8 'n/a' [38%] for both).

LTI 2021

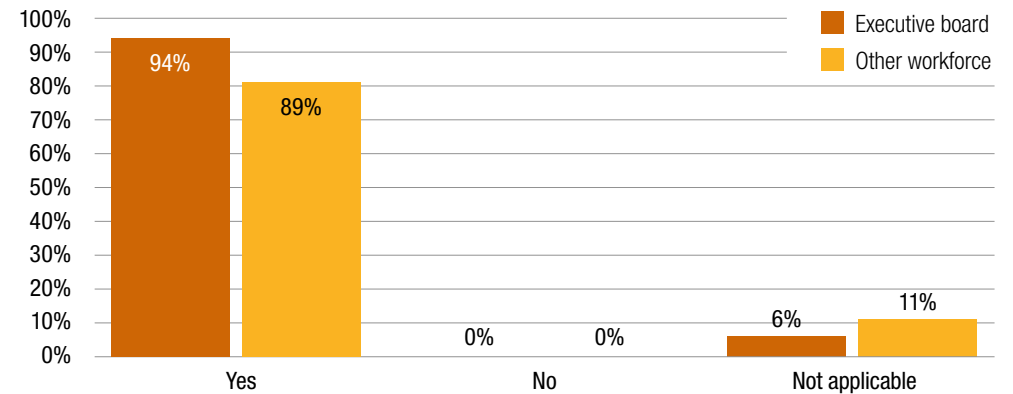
Do you have an LTI in place for 2021 (LTI 2021)?

Number of participants: 24 / Interpretation: shares of total answers given



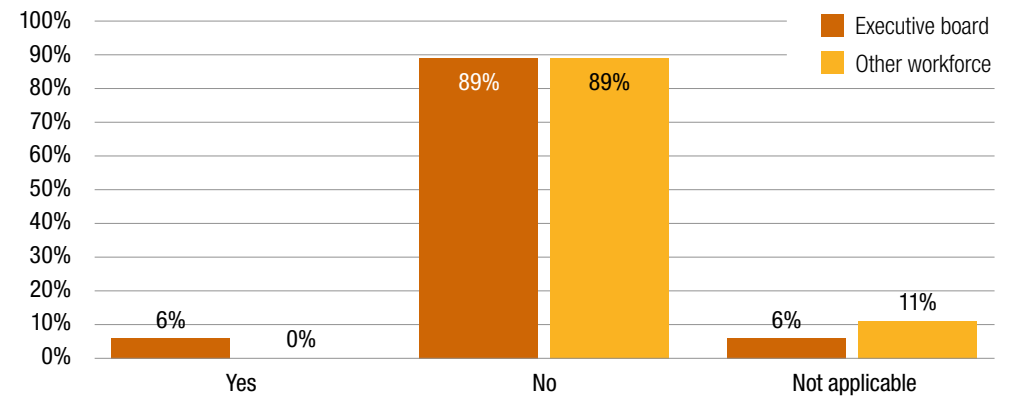
Did you make a grant under the LTI 2021?

Number of participants: 18 / Interpretation: shares of total answers given



Did you or will you grant a special one-off LTI 2021 due to COVID-19?

Number of participants: 18 / Interpretation: shares of total answers given

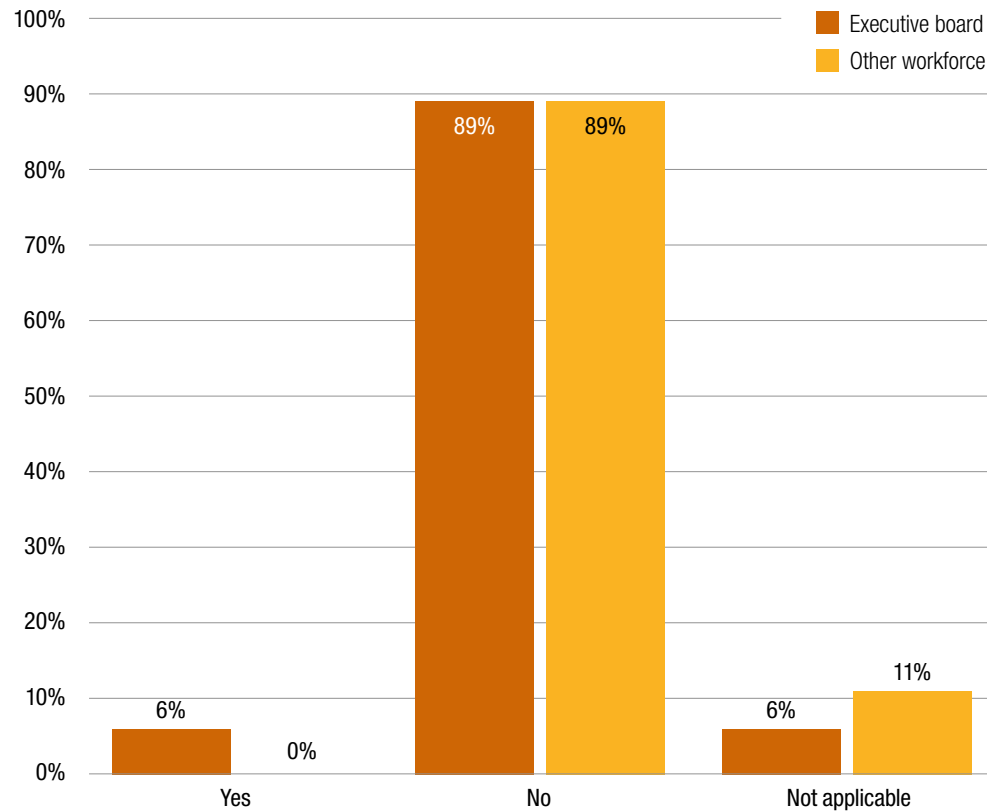


LTI 2021

Under the LTI 2021, did you adjust the vesting period due to COVID-19 (or do you plan to do so during the LTI 2021 cycle)?

Number of participants: 18 / Interpretation: shares of total answers given

The participant answering 'yes' neither extended nor shortened the vesting period but took another kind of adjustment (no further specification given)



Under the LTI 2021, did you adjust/change any performance measures (KPIs) due to COVID-19 (or do you plan to do so during the LTI 2021 cycle)?

- While for the other workforce no participants answered 'yes' (15 'no' [84%] and 3 'n/a' [17%]), 2 out of the 18 participants (11%) answered 'yes' for the executive board (14 'no' [78%] and 2 'n/a' [11%]).

- The participants who answered 'yes' for the executive board adjusted/changed financial KPIs.

Under the LTI 2021, did you adjust the payout curve due to COVID-19 (or do you plan to do so during the LTI 2021 cycle)?

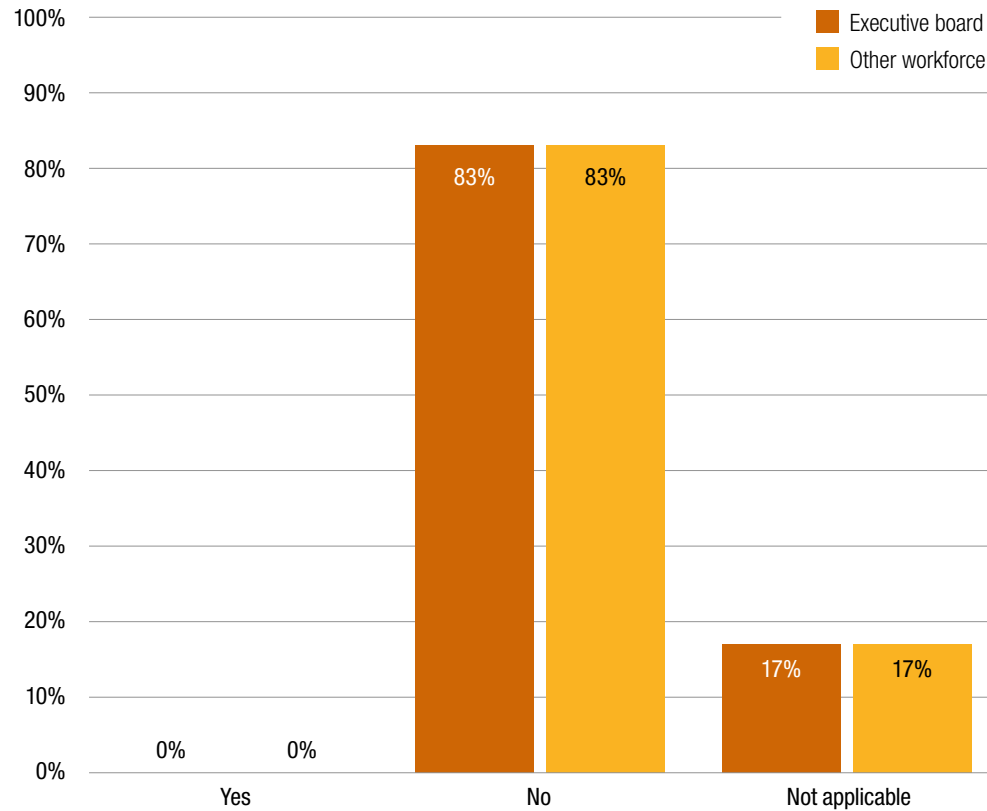
- While for the other workforce no participants answered 'yes' (16 'no' [89%] and 2 'n/a' [11%]), 1 out of the 18 participants (6%) answered 'yes' for the executive board (16 'no' [89%] and 1 'n/a' [6%]).

- The participant who answered 'yes' adjusted (or will adjust) the target payout.

LTI 2021

With respect to the final performance assessment for the LTI 2021, do you plan to exclude (or adjust for) the impact of COVID-19?

Number of participants: 18 / Interpretation: shares of total answers given



Do you plan to apply discretion to the LTI 2021 payout due to COVID-19?

- None of the 18 participants answered 'yes', neither for the executive board nor the other workforce (13 'no' [72%] and 5 'n/a' [28%] for both).

Do you plan to change the payout of the LTI 2021 partly or fully from cash to equity due to COVID-19?

- None of the 18 participants answered 'yes', neither for the executive board nor the other workforce (11 'no' [61%] and 7 'n/a' [39%] for both).

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