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February 2024

WITENA CEO & BOARD REPORT 2023

INSIGHTS INTO CORPORATE SWITZERLAND

EXECUTIVE SUMMARY

This year, we have once again examined the changes within all companies listed on the SPI in terms of group management and board of directors. Here are the key findings:

- The average board member is 56 years old, male, and previously held profit and loss (P&L) responsibilities in the executive management.
- The average Group CEO is 52 years old, holds Swiss citizenship, and is male.
- Overall, there is more diversity at the board level, but upon closer inspection, a concerning trend is emerging.

Methodology

Witena has reviewed all companies that were represented in the Swiss Performance Index in the year 2023. The companies are listed on the following pages.

The following methodology was applied:

- Only ad-hoc announcements according to Art. 53 LK are considered relevant.
- The date of the ad-hoc announcement is decisive for the report.
- Only appointments to the group management or the board of directors of the respective group were taken into account. Changes in the Swiss company were only registered if the Swiss CEO (or other executives) also belonged to the group management.
- Changes in the group management are not commented on (individuals resigning or taking over other areas in the executive committee).
- Changes in companies facing extraordinary circumstances (e.g., delisting, merger, etc.) are not included.
- The data was obtained from the companies listed in the Swiss Performance Index 2023 (according to the next page).

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ABB
Accelleron
Addex Therapeutics
Adecco Group
Adval Tech Hldg
AEVIS VICTORIA
AIRESIS
Alcon
Allreal Hldg
ALSO Holding
Aluflexpack
ams-OSRAM
APG SGA
Arbonia
Arundel
ARYZTA
Ascom Hldg
ASMALLWORLD
Autoneum Hldg
Avolta
BACHEM HLDG
Baloise Hldg
Barry Callebaut
Basilea Pharmaceutical
BB Biotech
BC Jura
BC Vaudoise
BEKB
BELIMO Hldg
Bell Food Group
Bellevue Group
BKW
BLKB
Bossard Hldg
Bque Cant Geneve
Bucher Industries
Burckhardt Compression
Burkhalter Hldg
BVZ Hldg
Bystronic
Calida Hldg
Carlo Gavazzi
Cembra Money Bank
CI COM
Cicor Technologie
Cie Fin Tradition
CieFinRichemont
Clariant
COLTENE HLDG
Comet Hldg
COSMO Pharma
CPH Chem&Pap
Crealogix Hldg
Daetwyler Hldg
DKSH Hldg
DocMorris
dormakaba Hldg
Dottikon
Edisun Power
EFG Intl
Elma Electronic
Emmi
EMS-CHEMIE HLDG
EPIC Suisse
Evolva Hldg
Feintool Int
Flughafen Zürich
Forbo Hldg
Fundamenta Real Estate
Galenica
GAM
Geberit
Georg Fischer
Givaudan
Glarner KB
Graubuendner KB
Groupe Minoteries
Gurit Hldg
Helvetia Hldg
HIAG Immo
Highlight Ev&En
HOCHDORF Hldg
Holcim
Huber + Suhner
Hyp Bk Lenzburg
Idorsia
Implenia
ina invest hldg
INFICON HLDG
Interroll Hldg
Intershop Hldg
Investis Hldg
IVF HARTMANN Hldg
Julius Baer Grp
Jungfraubahn Hldg
Kardex Hldg
KB Basel
Kinarus Th Hldg
Klingelnberg
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Kuehne+Nagel Int
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lastminute.com
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Leonteq
Liechtenst. Landesbank
Lindt & Spruengli
Logitech Intl
Lonza Grp
Luzerner KB
MCH Group
Medacta Group
Medartis Hldg
medmix
Meier Tobler
Metall Zug
Meyer Burger
Mikron Hldg
mobilezone hldg
Mobimo Hldg
Molecular Partners
Montana Aerospace
Nestle
Newron Pharma
Novartis
Novavest
ObsEva
OC Oerlikon
ONE swiss bank
Orascom Development
Orell Fuessli
Orior
Partners Group
Peach Property
Perrot Duval Hldg
Phoenix Mecano
PIERER Mobility
PLAZZA -
PolyPeptide
Private Equity
PSP Swiss Property
R&S Group Hldg
RELIEF THER Hlg
Rieter Hldg
Roche Hldg
Romande Energie
Sandoz Group
Santhera Pharma
Schindler Hldg
Schlatter Ind
Schweiter Technologies
Sensirion Hldg
SF Urban Prop
SFS Group
SGS
SHL Telemedicine
Siegfried Hldg
SIG Group
Sika
SKAN Group
SNB
SoftwOne Hldg
Sonova Hldg
Spexis
SPS
St.Galler KB
Stadler Rail
StarragTornosGr
Straumann Hldg
Sulzer
Swiss Steel Hldg
Swiss Life Hldg
Swiss Re
Swisscom
Swissquote Grp
Talenthouse
Tecan Grp
TEMENOS
The Swatch Grp
Thurgauer KB
Titlisbahnen
TX Group
u-blox Hldg
UBS Group
V-ZUG Hldg
Valiant Holding
Varia US Proper
VAT Group
VAUDOISE ASSURANCE
Vetropack Hldg
Villars Hldg
Vontobel Holding
VP Bank
VZ Holding
Walliser KB
Warteck Invest
WISeKey Int Hlg
Xlife Sciences
Ypsomed Hldg
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About Witena

Witena is the leading executive search boutique in Switzerland, owned by its partners and completely independent. We recruit based on the philosophy of "Hiring for Cultural Fit" and exclusively work for Swiss companies to attract the best talents regionally or globally for your executive management or board of directors.

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Intro

For another year, we have examined the profiles that make it into the executive management and board of directors of SPI-listed companies in Switzerland. This year, we have compared the insights and data with our clients and their recruitments to obtain a more comprehensive picture. Similar to the previous year, expertise and experience continue to be highly weighted. Not surprisingly, no experiments are conducted at the top levels, as too much responsibility is attached to the decisions of the highest office holders.

We looked at 209 companies, of which seven companies or their personnel changes are not included in the report due to circumstances such as delisting, severe turbulence, takeover, etc. Therefore, this report covers 202 companies. In total, 119 changes were observed in the board of directors, and 106 changes in the group executive management.

Findings for the Board of Directors

The board of directors of publicly listed companies in Switzerland continues to primarily recruit from CEOs and divisional CEOs from the operational levels below. Individuals with a track record of profit and loss (P&L) responsibility at the operational level are still in demand in this regard. The board of directors is constituted by profiles that bring specific expertise crucial to the respective company. Therefore, it is not surprising that divisional CEOs, CEOs, and individuals with several years of experience in executive management have the best chances of joining the board of directors.

For profiles without P&L responsibility, the path to the board of directors is challenging. In this context, only CFOs and women with a corresponding track record in a specific area are considered suitable candidates.

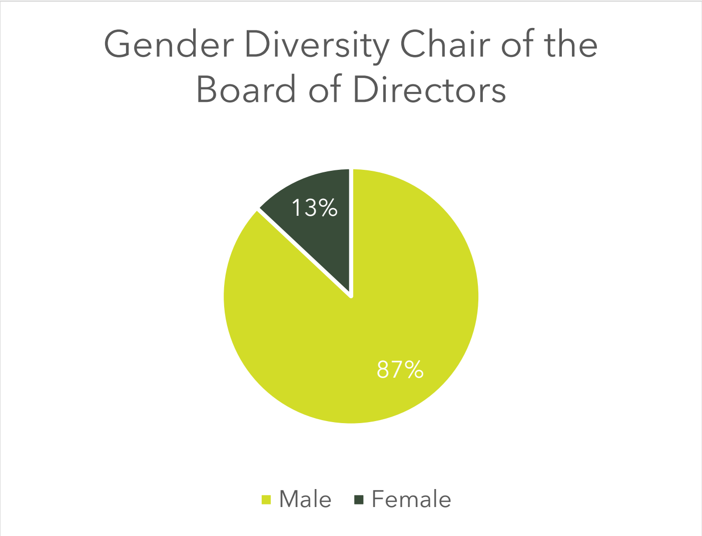
The average board member is 56 years old, male, and had prior profit and loss (P&L) responsibility in executive management.

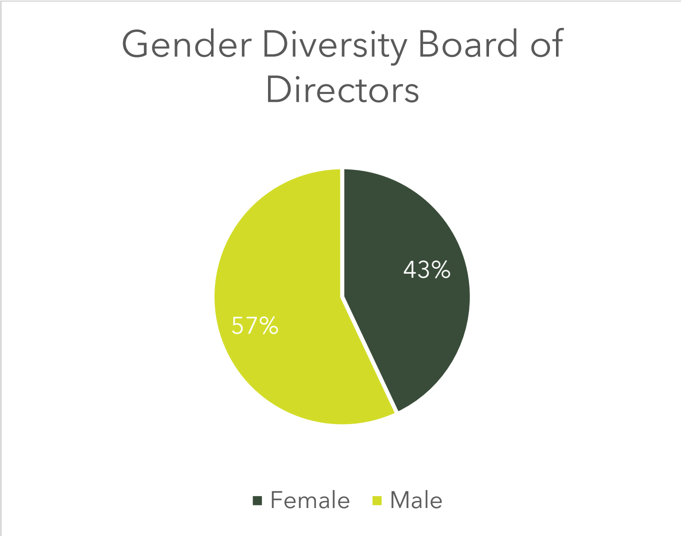
Last year, we observed 119 nominations to the board of directors. Among them, there were 14 new chairman appointments and 2 new chairwomen. The oldest board member was 74 years old, while the youngest was 32. The average age of appointments was 55.98 years, aligning with our recommendation to aim for the non-executive level between 55 and 58 years.

Relatively young board members and those over 62 years old at the time of election are rare. On one hand, many companies still have an age limit of 70 years, which we consider outdated. There are valid reasons today to engage older board members beyond the age of 70. However, we do support term limits. Since most companies expect a board member to serve two terms of 4 years each, 62 years is the last opportunity to join the board of directors. Many deserving executive members miss this window and work until the retirement age of 65. Early planning of a non-executive career is therefore advisable.

On the other hand, board members under 45 years old are generally seen as less recommended, as they typically lack the desired executive or general management experience over several years. There are exceptions, but the average age clearly indicates that most board members are over 50 years old.

Overall, the newly nominated members come from 17 different nations, with Switzerland still clearly leading with 68 nominees, followed by the United States with 12 nominees, Germany with 10, and France with 8. Of the nominees, 68 are male members of the board of directors, and 51 are female. This is fundamentally a positive trend, indicating that diversity is upheld not only in terms of gender but also nationality in listed companies. However, upon closer examination, a concerning trend is emerging in this regard.



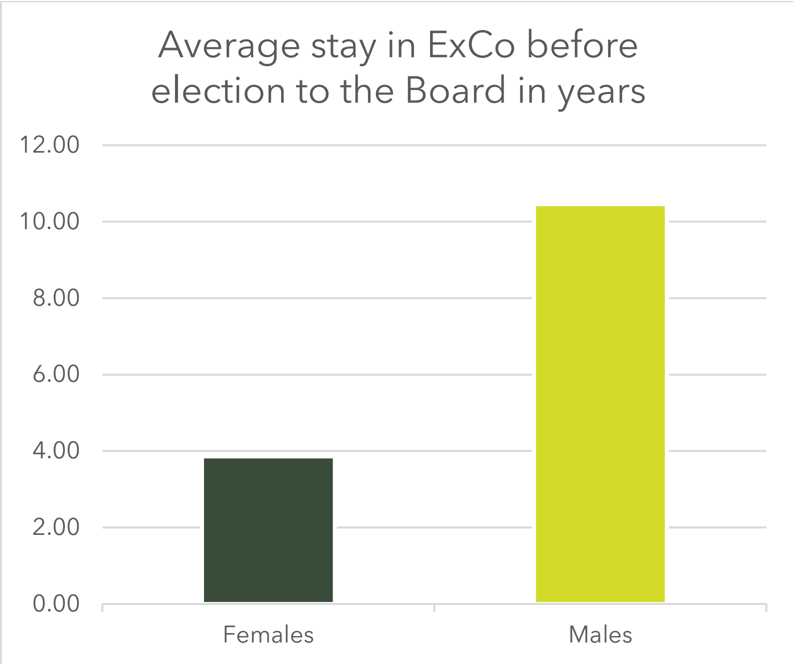


There is a significant disparity between male and female members of the board of directors.
On average, nominated board members spent 7.64 years in executive management before making the transition to the board of directors. However, the average for men is 10.64 years, while it is 3.86 years for women. The percentage of nominated board members who were part of an executive management team before being elected to the board is 55% for women and 79% for men. The data also reveals that women, when in executive management, tend to spend less time there than men. This suggests that, proportionally, men have been more frequently and for longer periods at the executive management level than women before making the transition to the non-executive level.

It is important to note that this transition may not be sharply defined. Often, a member of the executive management retains their operational role and takes on one or two non-executive roles alongside. This is advisable for a smooth transition from the operational to the non-operational level.

In today's context, it is relatively uncommon for a man to be elected to the board of a listed company without executive management experience, whereas for women, this has been possible in almost half of the cases. The assumption that female board members bring less qualification to their role compared to their male counterparts must be strongly avoided. On one hand, there are well-qualified female board members, even though their number is still lower than that of males, a historical condition that is expected to change in the next 7-9 years. On the other hand, surprisingly, there is simply a shortage of qualified male and female candidates for the board of directors. Various reasons contribute to this shortage. Not every executive management member wishes to join the board after years of operational leadership. Not every executive management member qualifies for the non-executive level, be it due to personality, reputation, or other reasons. Therefore, it is often necessary to recommend individuals for the board who were not previously members of the executive management. Particularly for roles in the risk and audit committees, individuals with relevant expertise who were not always part of the executive management are well-suited.

The mentioned inequality will persist for the time being since more men are recruited for executive management roles than women, above average. Only 24% or 26 female executive management members were newly recruited last year, compared to 76% or nominally 80 male executive management members. Assuming that the board of directors will predominantly consist of members from executive managements in the future, we may just reach the often-demanded 30% female board members.



Rolling Succession Planning
Most of our clients implement a rolling, ongoing succession planning for the Board of Directors in the Nomination Committee. We consider this as a crucial component of every Nomination Committee. As discussed earlier, the available talent pool of qualified executives is finite, individuals who align with the company and can complement the Board of Directors with specific competencies. Therefore, it makes sense to continuously consider who might be suitable as a successor for each member of the Board of Directors or as a general addition.

Direct transition from the Executive Committee to the Board of Directors
It is not uncommon for members of the executive management to transition directly to the board of directors without a so-called "cooling-off period." In our practice, this is assessed on a case-by-case basis and should not be universally precluded. This aligns with the common approach among our clients. It can indeed make sense for a CEO or a member of the executive management to be directly elected to the board of directors to contribute their expertise at the non-executive level. This is often part of a long-term succession planning or career strategy, demonstrating the company's foresight and ensuring continuity. According to our practice, it usually makes sense, especially for the CEO, not to be directly appointed as the Chairman but rather to serve as a regular member of the board, allowing the incoming CEO enough space for their own development.

Education, further Education and other requirements for CEOs

Of the 25 newly appointed CEOs, 7 had studied business administration at the university. Another 3 completed their business administration studies at a university of applied sciences. Thus, studying business administration still remains the best foundation for becoming a Group CEO. This holds true not only for this year but for all the years before. In the second place are economics and mechanical engineering degrees, each with 3 graduates. While other fields of study are also represented, it is noteworthy that not a single new CEO was elected who had only completed an apprenticeship. We observed two CEOs who initially completed an apprenticeship but continuously pursued further education afterward. The dominance of business administration is further emphasized as those without business or economics education often complement this knowledge with an (Executive) MBA program. Accordingly, 8 CEOs have completed an MBA. Only two of the CEOs had a Ph.D., a trend we have observed for a while, especially in the international arena.

Regarding education and further training, it is noticeable that there is no specific breeding ground for Swiss executives. Although the sample size is small with 25 CEOs, even when considering data from previous years, it becomes apparent that executives obtained their education and further training from various institutions in Switzerland and abroad.

It is also evident that executives tend to progress in their careers within a particular setup until their promotion to the executive management. This means that executives who aspire to be part of the executive management in a large international company have typically built their careers in that environment. Transitioning from a small, national company to a large, international one into the executive management has historically been almost impossible. Similarly, executives in highly regulated industries such as life sciences and financial services tend to stay within their sectors. Moving from a less regulated environment to a highly regulated one occurs only occasionally. Conversely, executives often switch from a large corporation to the executive management of an SME or from a strongly regulated environment to a less regulated one.

In our daily work, we observe a growing emphasis on soft skills. Specifically, these are skills related to leadership in complex situations and adaptability. The most crucial soft skills in our searches and also according to our clients are self-reflection, followed by empathy and resilience. All three qualities are identified as significant success factors when leading a company successfully into the future or keeping it fit for the future in the diverse context of constantly changing conditions and requirements, be they technological, commercial, or cultural..

Co-Leadership or Top Sharing as new Leadership-Model?

Last year, we observed two CEO positions that were held by a co-leadership model. Among all SPI-listed companies, this is the exception, yet there were discussions in the media about whether this example could become a trend. We do not think so. From our practical experience, there is only one clear model where co-CEO leadership works: when two complementary and even competing leaders jointly hold the role to intentionally foster internal competition among the two groups of employees. In the right culture, this can lead to outperformance compared to established leadership cultures and serve as a booster for both groups of employees.

In all other settings, the idea that two individuals working together harmoniously can fulfill the role better than one person alone has been less promising so far. Particularly when transformations are underway, we have observed clear disadvantages of shared leadership in our practice. This may also be due to organizations not having reached the necessary maturity in their cultures for shared leadership. We are curious to see how this develops further, but as of now, we do not see widespread realization or significant demand for establishing the underlying mechanisms, cultures, role definitions, mindset, structures, and processes necessary for shared leadership.

Findings for the Group Executive Committee

The trend from recent years continued: In 2023, the most common path to becoming a Group CEO was holding the position of Divisional CEO, followed by being the CEO of another company. Other paths were also available, such as through the CFO or the General Counsel, but they are less common. According to our data, a CFO is typically chosen for the role of Group CEO when the company is facing challenges and requires restructuring. In such cases, it is often the CFO who takes on the role of Group CEO, leveraging their familiarity with the financials to identify necessary actions. It is clear that the CFO is usually already part of the organization and almost never comes from outside when directly assuming the CEO role.

Companies continue to recruit based on the same patterns as in previous years: selecting individuals as CEOs who have held divisional responsibilities at another company, led larger teams, and have P&L responsibility. Alternatively, companies may recruit CEOs from competitors, offering them a broader scope of activities or increased responsibilities.

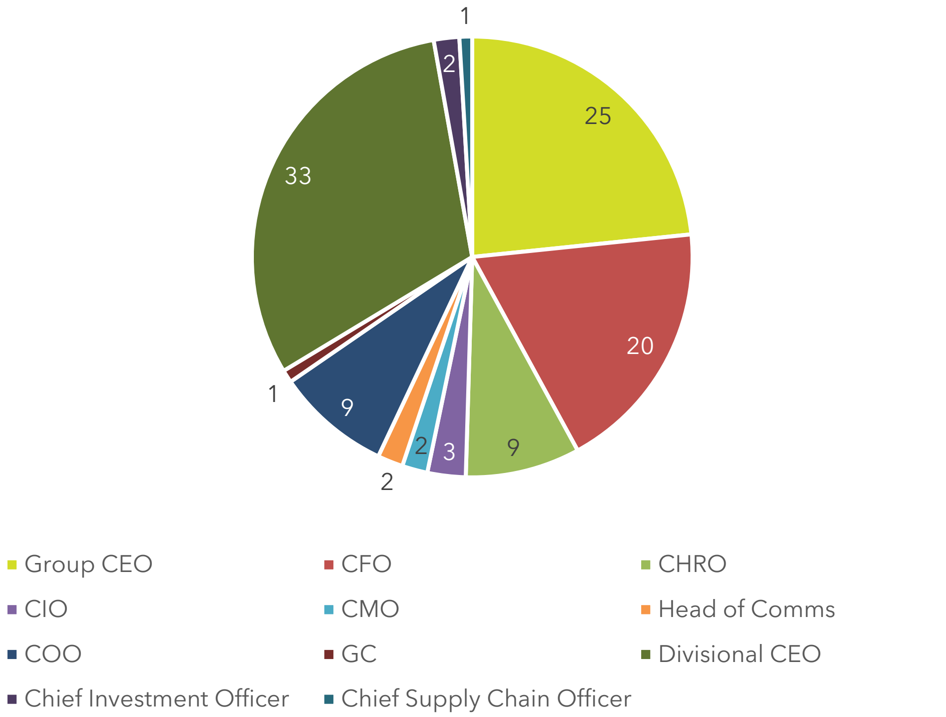
The path to the executive management typically involves holding front-line positions with leadership responsibilities. In general, 42% of all appointments to the group executive management had previously held front-line roles, while 13% were in a finance role and ascended to the executive management as CFO.

No experiments in the selection of executive management members

We also talked to our clients for this report to validate the data. Especially for the selection of members for the executive leadership team and the CEO, the opinion of our clients and the data are clear: no experiments are made. Anyone aspiring to join the executive leadership team of listed companies must fully fulfill their role. Experience, expertise, and leadership are the key criteria, with all other characteristics taking a back seat. For front-line roles, it is also clear that individuals must have P&L (Profit and Loss) experience. The CFO makes an exception here, but in such a small number that it is negligible. From all other non-P&L roles, the chances of becoming a Divisional CEO or even Group CEO tend to approach zero. This has implications for gender diversity: the majority of Divisional CEOs and CEOs are male, and women still face disadvantages. Women still predominantly enter the executive management when there is no P&L responsibility, especially in the HR (Human Resources) sector. This once again disproves what the public believes to see and what other studies and analyses propagate: women are not making significant progress in executive management. The pipeline for female leaders in front-line positions is far from filled. In 2023, gender diversity was even a poor year, confirming what we observed in 2022: when the business environment becomes more challenging, diversity loses importance, and reliance is placed on the proven, which, in reality, translates to male experience and expertise.

With 8 Swiss women, followed by 4 Germans, Swiss women still represent the majority of new executive management members. The same pattern is seen among men, with 44 Swiss, also followed by 13 German executive management members. It is evident that men are in no way disadvantaged in the selection for executive management; on the contrary, they constitute almost three times as many members as women.

Number of new Executive Committee Members 2023 according to roles



The average Group CEO is 52 years old, holds Swiss citizenship, and is male

Even in the past year, the easiest path to becoming a Group CEO was through a Divisional CEO role. Out of 25 new Group CEOs, 13 had previously served as Divisional CEOs, followed by 9 from other companies. Only two were previously CFOs, and one was a Chief Investment Officer. Three female Group CEOs were appointed, while the remaining 22 were male. With 13 Group CEOs holding Swiss citizenship, the locals constituted the majority, followed by 8 Germans. Compared to the year before, 11 fewer Group CEOs were appointed, but the number of Divisional CEOs doubled to 33. In the third most common group, CFOs, there was a significant increase in replacements, with 22 compared to 14 in 2022. This may again indicate that companies are preparing for potentially challenging years ahead.

Leadership Experience

According to the overwhelming majority of our clients, leadership experience is the most crucial criterion for joining the executive management team. How a person leads, the principles they uphold, the degree of autonomy they provide, and how they form opinions for decision-making are, in our practical experience, the essential points. They are more important than technical expertise. In addition, for front-line positions, experience in selling services or products is necessary. According to our data, those who do not bring this experience and lack customer experience will have almost no chance of securing a role in the executive management at this level. Conversely, for positions such as Chief Financial Officer, Chief Risk Officer, General Counsel, etc., technical expertise is mandatory. Moreover, there is an increasing expectation that a CFO brings a strategic and comprehensive entrepreneurial perspective, can anticipate and extrapolate, and even handle 'predictives' to describe the 'future' significantly from existing data.

Leadership is also important for technical positions, but the teams are smaller than on the front lines, which is why technical expertise takes precedence. Additionally, it has been shown that cultural fit with the team and the organization is considered highly relevant across all roles. Those who do not fit or even spread a toxic culture are replaced.

Achieving Gender Equality

With the approach described above and the associated pace of recruitment, we will not achieve gender equality in executive management and consequently, in the board of directors, for the foreseeable future. As we noted in 2022, the easiest and statistically most successful path to join the group executive management involves sales, followed by taking on more leadership responsibilities and ultimately assuming P&L responsibility. If we want to see more women in executive management positions, there is a need to foster enthusiasm for sales early on. Those who have never sold their company's product or service will find it very challenging to ever join the executive management, let alone become a CEO or board member. Oliver Berger has therefore created lecture series with various universities to illustrate the path to becoming a CEO, with a particular focus on the importance of sales activities. There is a need for action on all sides and from all involved parties.

In some cases, a concerning trend has developed among female executives and board members

Due to the significant pressure from investors and the public to hire female leaders, a negative trend has quietly emerged with various representatives. Companies appoint women to leadership roles that outwardly suggest the individual is leading a significant unit. In reality, these women often have a role focused on representation without actual leadership responsibilities. The same applies to female board members who are elected and disproportionately represent the company at events. We strongly reject tasks that are performed merely for appearance's sake or, more derogatorily, acting as the 'mascot' of the company, as expressed by a female executive recently. This harms the reputation of women and does not contribute in any way to establishing diversity.

Internal vs. external candidates

Internal candidates should be considered in every search for a new executive management member. Having a solid succession plan in place for each executive management member is crucial for effective succession planning. On one hand, it is important to fill this succession plan with internal candidates; on the other hand, we observe more companies each year supplementing this plan with external candidates. In the past year, out of 106 searches, internal candidates were selected for executive management 42 times. This corresponds to 39.62% and is slightly above the long-term average.

Concrete Recommendations for Action

- A continuous Nomination Committee gains importance in times of talent scarcity. Although talent scarcity has only recently reached lower levels, it will likely impact upper levels in the medium term. In the Nomination Committee, it is essential to address the right strategic HR topics, regularly review and challenge the top teams' competencies and soft skills, and be aware of and promote talents within the company and the market in response to changing requirements and conditions.

- Foster sales experience early in your company, especially among female talents, if you aim for more gender diversity at the top levels. Sales experience is the key to front roles. Additionally, an outstanding female sales professional secures herself against job loss through her own sales success. Back-office functions are typically the first and more frequently downsized.

- Revise your recruitment logic and practices, adapted to changing conditions and an increasingly complex reality: What new approaches, qualifications, work methods, and skills (future skills) would be beneficial for your company and need to be introduced accordingly?

- Avoid appointing female talents just for appearance's sake. This benefits neither diversity nor female talents nor your company.

- As a young talent, gradually take on more leadership, work in sales, build a network, assume P&L responsibility, and pay attention to your reputation. Sooner or later, the call to join the executive management will come.

- Switzerland needs to inspire more people to pursue sales, and companies should promote this activity through mentoring and concrete measures. Sales is the foundation for top managers, both male and female. While the United States takes pride in sales, in Switzerland, there is an attempt to avoid the term, using alternatives like consultant or advisor. It's time to be proud of sales again—it is the lifeblood of every company.