

HCM PayMap:

Beyond traditional benchmarking



Dr. Stephan Hostettler

Dr. Stephan Hostettler is the Founder and Managing Partner of HCM International, Lecturer in Corporate Governance at the University of St. Gallen, and a renowned opinion leader in the areas of valuation, financial leadership, board compensation and corporate governance.

Johanna Kaffanke

Johanna Kaffanke is a Consultant at HCM International Ltd., with compensation, job architecture, and governance as her core areas of focus.

Hanna Gadola

Hanna Gadola is an Associate Consultant at HCM International Ltd., advising listed and private companies on corporate governance and remuneration matters.

Analysis of CEO pay from 2015 to 2025

1.0 What does Switzerland's Say-on-Pay season leave unsaid?

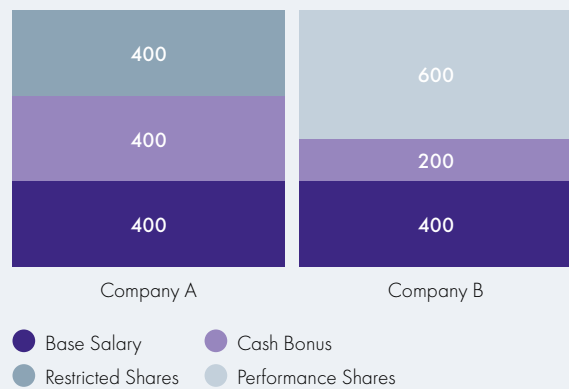
Every spring, the Swiss say-on-pay season produces the same headlines: a number, a percentage, a vote. Rarely does it prompt a deeper conversation about how pay is structured, how long it is deferred, how much is genuinely at risk, and whether the design still aligns management with long-term value creation.

Compensation governance has long centred on benchmarking total direct compensation (TDC). Yet two Chief Executive Officers (CEOs) with identical pay levels can face fundamentally different compensation realities: different performance risk, vesting horizons, and time before value is realised. The «HCM PayMap» addresses this gap: by combining pay level, risk, and duration in a single view, it allows boards to assess and compare compensation structures beyond headline figures. Drawing on 378 data points of Swiss listed companies between 2015 and 2025, this article examines how CEO compensation profiles have evolved over the past decade.

2.0 What does the HCM PayMap show, and how should it be read?

A simple example helps to illustrate the underlying mechanics. Consider two CEOs, each with a TDC of CHF 1,200k and an identical base salary of CHF 400k (figure 1).

Figure 1: Illustrative pay mix, Company A vs. Company B



CEO A receives a cash bonus of CHF 400k and restricted shares of CHF 400k vesting over three years. CEO B receives a cash bonus of CHF 200k and performance shares of CHF 600k with a performance period of three years. Traditional benchmarking would note the identical TDC, compare the pay mix, and flag the difference in the long-term instrument.

The HCM PayMap however plots the same two companies on two axes: weighted average (WA) duration (horizontal) and WA risk (vertical), with bubble size reflecting awarded TDC (figure 2).

Both bubbles are equal in size, what differs is their position: CEO A sits at a WA duration of 1.3 years and a lower risk score, CEO B at 1.7 years and a higher risk score. In other words, they show two identical TDC figures, but two fundamentally different incentive structures, visible at a glance.

The three dimensions make this possible. WA duration reveals whether incentives are anchored to this year's results or to value created in the future. The risk score captures how sensitive each pay element is to individual or company performance, weighted across the full compensation package. TDC at grant provides the scale: it anchors both axes in context, showing not just how a package is structured, but how large it is relative to peers. This view enables a discussion that goes beyond the mechanics of individual pay instruments. The HCM PayMap shifts the benchmarking conversation from how much to how.

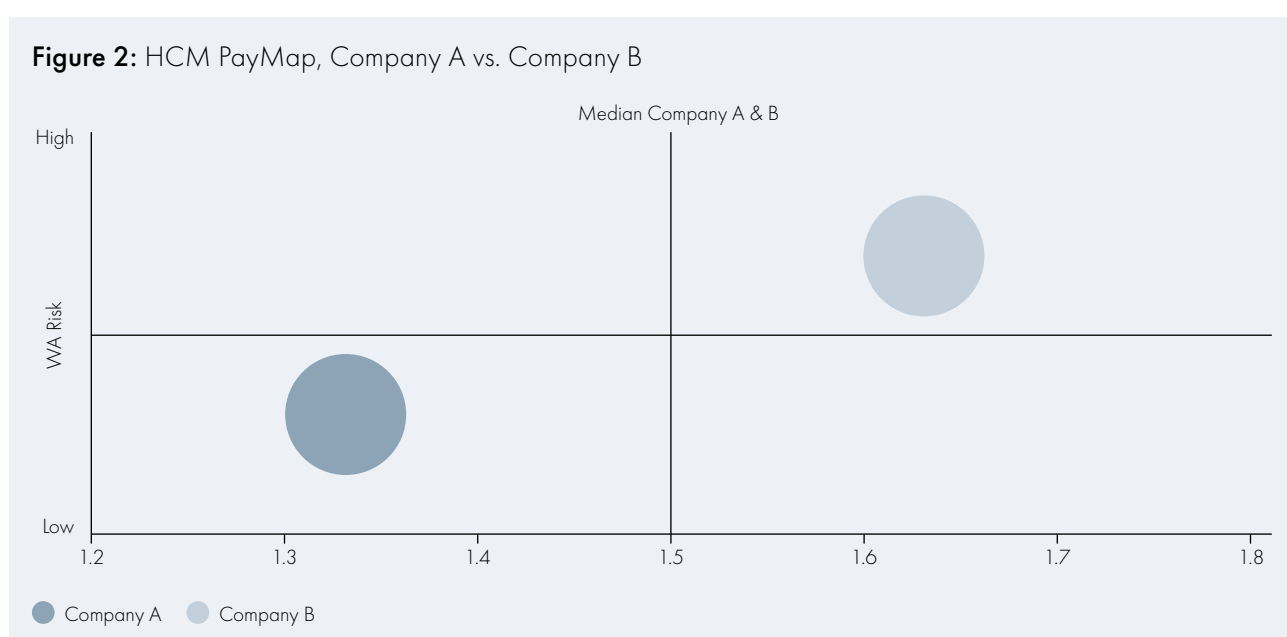
A CEO might prefer a compensation framework with a lower-risk, shorter-duration structure, receiving the same total compensation with less uncertainty. Another CEO may prefer greater upside exposure, accepting more performance dependency and longer vesting horizons in return for a higher potential outcome.

Regardless of these individual preferences, compensation structures with greater performance dependency and longer deferral expose executives to more uncertainty and delay the realisation of value. As a result, two compensation packages with identical TDC may differ in their attractiveness.

This raises a natural question: should compensation structures that expose executives to greater uncertainty and longer horizons command a premium?

The logic of a compensation risk premium therefore becomes relevant. Just as capital markets generally associate higher risk with higher expected returns, compensation structures that require executives to accept greater uncertainty and longer time horizons are typically associated with higher pay levels. Restructuring a compensation package towards greater performance dependency and longer deferral, without adjusting TDC, may therefore reduce its attractiveness.

Consequently, compensation structures similar to Company B are typically associated with higher awarded TDC levels.



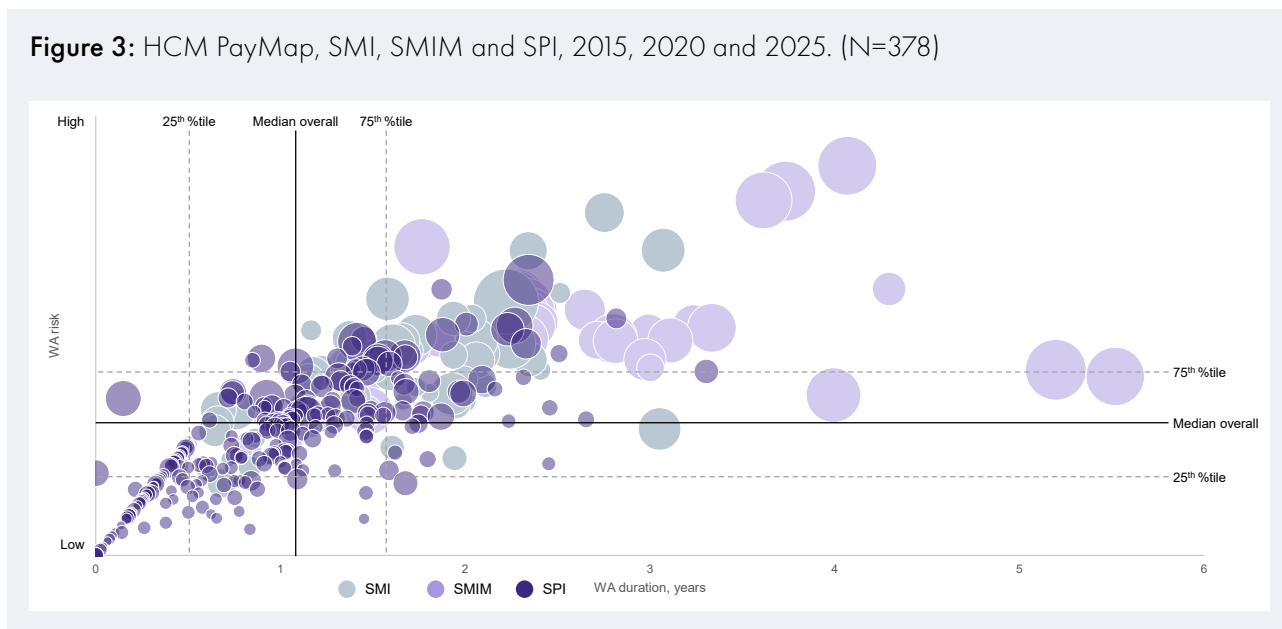
3.0 The HCM PayMap reveals a link between pay level, risk and duration

Actual market data supports the relationship proposed above between risk, duration and TDC. Figure 3 draws on 378 data points: each bubble represents one company in one specific year, meaning each company appears up to three times, once for each of the years 2015, 2020, and 2025, across the SMI, SMIM, and SPI. (The sample includes only companies that remained listed throughout the observation period and excludes years in which a CEO transition occurred.) A bubble in the upper-right quadrant indicates long-dated, highly performance-dependent pay; one in the lower-left a shorter-dated, less performance-dependent pay structure.

Across Swiss listed companies, there is a significant positive relationship between TDC and both WA risk and WA duration. Companies positioned further towards the upper-right of the HCM PayMap consistently show higher pay levels. Within the SPI segment, the observations in the lower-left part of the HCM PayMap appear to follow a visible upward alignment. While noticeable, this feature is descriptive and does not necessarily indicate a separate underlying relationship.

The broader relationship between pay, risk, and duration is confirmed by the statistical analysis: differences in risk and duration together explain more than half of the variation in pay levels across companies. In other words, CEOs who earn more generally face longer vesting horizons and greater performance dependency.

Figure 3: HCM PayMap, SMI, SMIM and SPI, 2015, 2020 and 2025. (N=378)



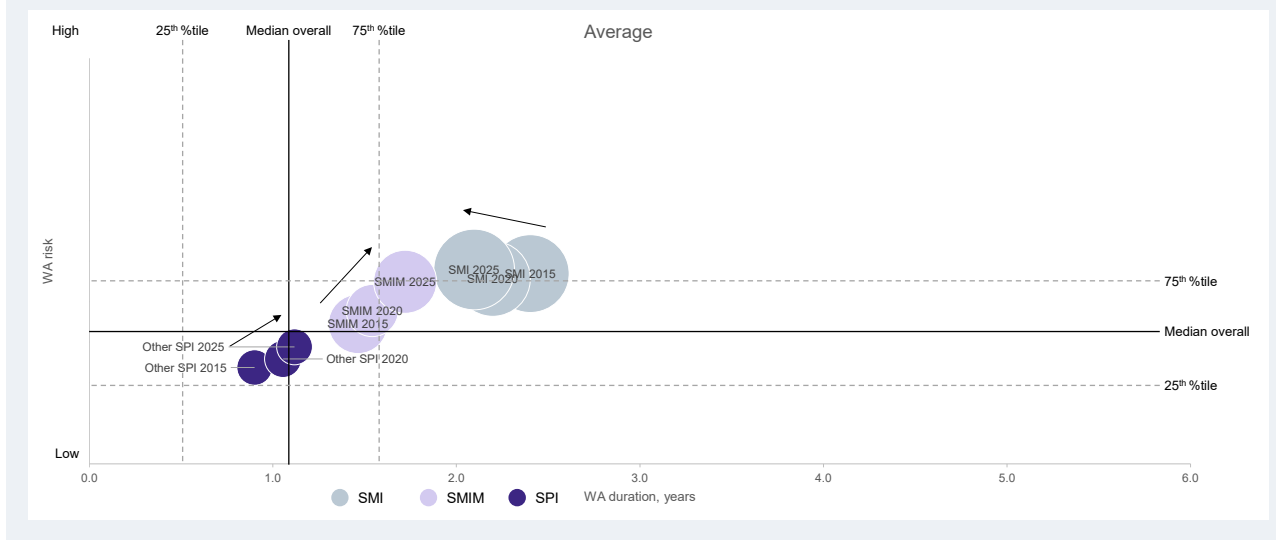
4.0 SMI, SMIM and SPI: How do the three index segments evolve over the years?

While Figure 3 shows a clear relationship between pay, risk and duration across the Swiss market, Figure 4 reveals that the three index segments, SMI, SMIM and other SPI, have followed different trajectories over time.

SMI companies on average consistently display higher risk scores and longer pay durations than both SMIM and SPI, with markedly larger bubbles reflecting significantly higher TDC.

SMIM companies occupy a middle tier (on average), above the broader market in both dimensions, but clearly below the SMI on both axes. The remaining SPI universe shows lower risk scores and shorter durations with overall lower pay packages.

Figure 4: HCM PayMap by index segment (SMI, SMIM, SPI), bubble size reflects TDC (all by average)



These pay structure differences have remained stable over the years, but the direction of travel within each segment has not been uniform. Within the SMI, the average company moved towards lower risk and shorter duration over the decade.

Among SMIM and SPI companies, the average movement runs in the opposite direction, towards higher risk scores and longer pay durations, though more pronounced in the SMIM, where it has narrowed but not closed the gap with the SMI.

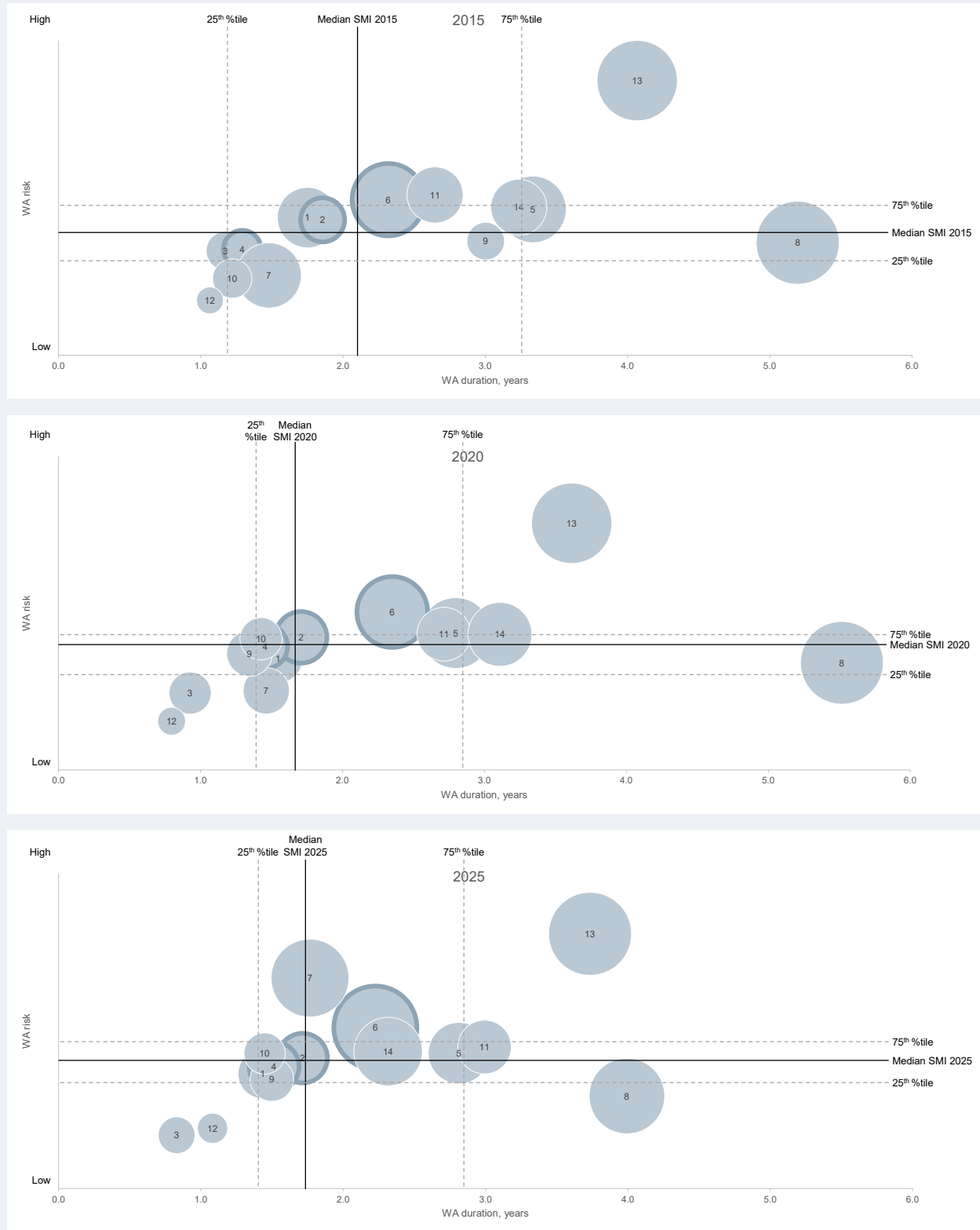
5.0 How has SMI CEO pay changed from 2015 to 2025?

Figures 5a–c show the SMI in three cross-sectional snapshots. Each bubble represents one SMI company (the sample includes only companies that remained listed throughout the observation period and excludes years in which a CEO transition occurred), and the bubble size reflects TDC. The horizontal axis shows the WA duration, the vertical axis shows the risk score.

The three snapshots reveal that the relative positioning of SMI companies has remained broadly stable over the decade. Companies that stood out through higher risk scores or longer durations in 2015 generally continue to occupy similar positions in 2025. At the same time, movements within the distribution have led to a somewhat greater concentration around the centre of the HCM PayMap, as several firms shifted towards shorter durations and lower risk.

While the aggregate picture suggests remarkable stability, averages can mask substantial changes within individual companies. The next section therefore follows selected firms, companies 2, 4, and 6, through time.

Figure 5a – c: SMI companies in 2015(a), 2020(b) and 2025(c)



6.0 How does a single SMI company move through the HCM PayMap over 10 years?

Index averages reveal direction, but not the texture of individual decision-making. The three examples below illustrate the range of trajectories observable within the SMI. To improve visibility of these trajectories, the WA risk and WA duration axes have been rescaled to a tighter range, making year-to-year movements on the HCM PayMap easier to observe. At the same time, the median SMI position over the 2015–2025 period is shown as a reference point, providing orientation and context for the interpretation of individual company trajectories.

Company 2 in Figure 6 starts in 2015 at a moderate risk score and mid-range duration. Over the following years it moves sharply towards the upper-right, higher risk and longer duration simultaneously, before reversing and returning close to its starting position, where it has remained since. The trajectory is non-linear: a pronounced shift followed by an equally pronounced reversion, with the company settling close to its starting position in recent years. One possible interpretation is that the upward arc reflects a period of active M&A, after which the company redesigned its compensation structure.

Figure 6: Year-by-year trajectory of the representative SMI Company 2

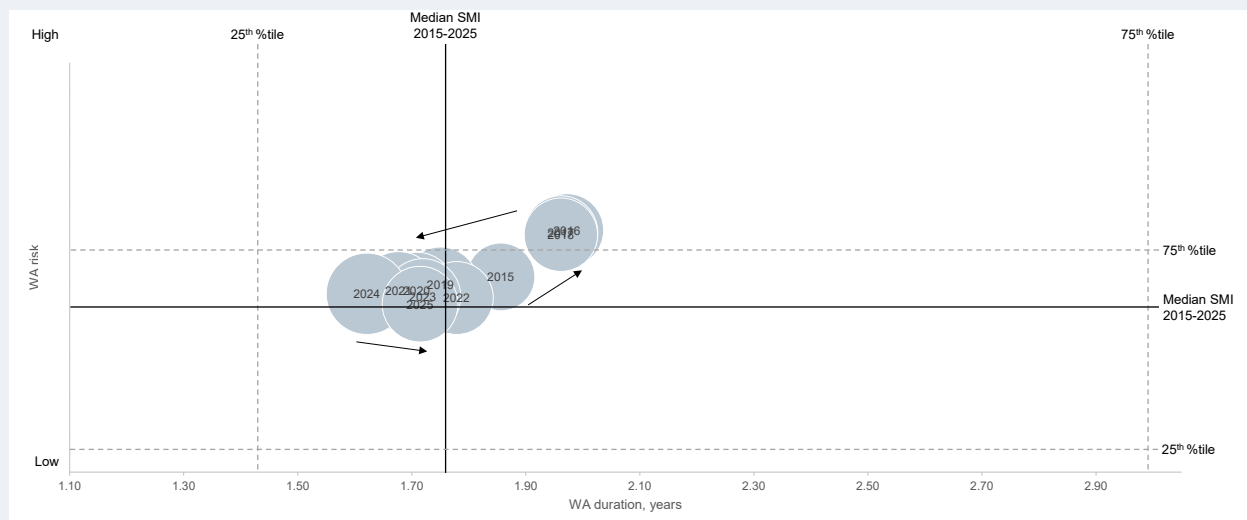
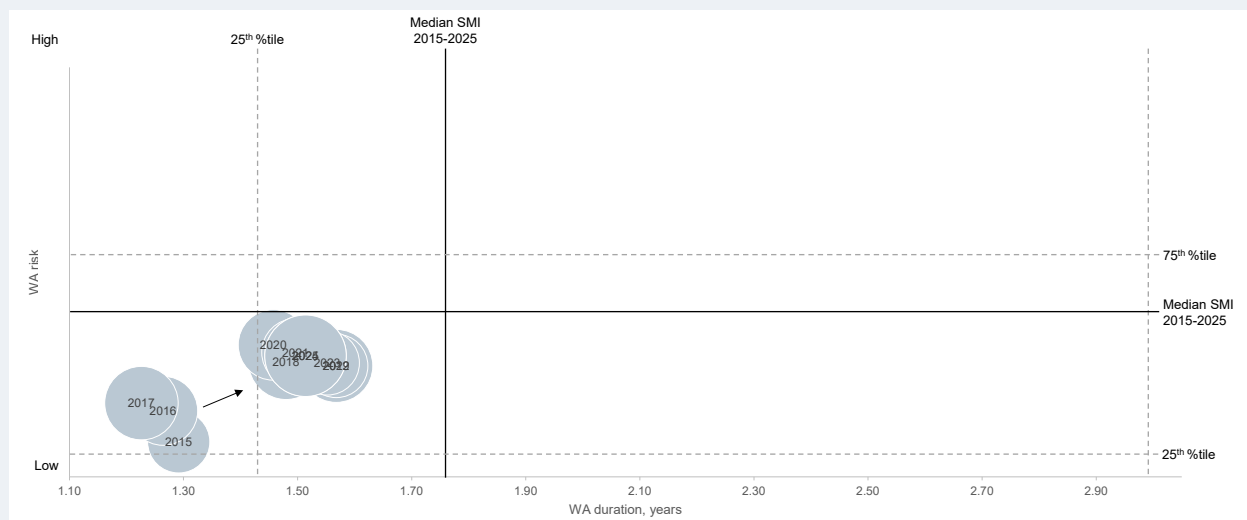


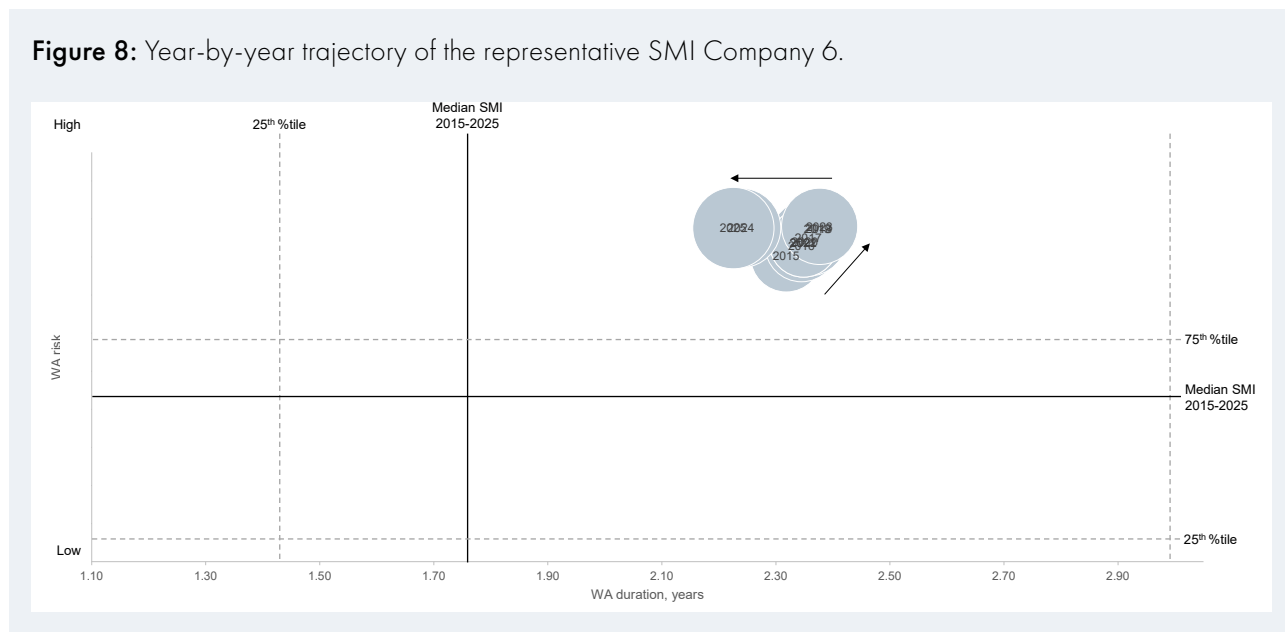
Figure 7: Year-by-year trajectory of the representative SMI Company 4.



Company 4 in Figure 7 initially follows a similar path. Starting in 2015 with a low risk score and short duration, it moves to higher risk while duration increases as well, a diagonal shift towards the upper-right of the HCM PayMap. The end result is higher risk and longer duration than the 2015 starting point. The initial jump in risk coincides with the closing of a transformative acquisition, after which the LTI structure was progressively simplified.

Company 6 in Figure 8 appears comparatively stable. It starts in 2015 with a high risk score and long duration, in the upper-right of the HCM PayMap. From there, it moves stepwise towards even higher risk but shorter duration, resulting in a gradual shift to the left. While the movement is less pronounced than in the other examples, it still indicates a meaningful evolution within the company's compensation strategy.

Figure 8: Year-by-year trajectory of the representative SMI Company 6.



One possible interpretation is that this trajectory developed alongside a leadership transition and a multi-year strategic transformation, including portfolio divestitures, a major spin-off, and new platform acquisitions, during which the compensation design was also fundamentally reconsidered.

Together, these trajectories reveal what index averages conceal: companies often move in different directions through the HCM PayMap, frequently associated with strategic developments. While these events coincide with the observed shifts, the analysis does not establish a causal relationship.

7.0 What broader developments may have influenced these shifts?

The data alone cannot point to causes. Several contextual developments are nonetheless worth bearing in mind, less as explanations than as prompts for further reflection on these structural shifts.

Proxy advisor guidelines could be one factor. ISS, Glass Lewis, and similar firms have become more prominent in Swiss say-on-pay processes, and their evolving frameworks may have encouraged greater standardisation, favouring designs more readily evaluated across companies and markets. This trend may also have been reinforced by the revised Swiss corporate law, in force since 2014, which introduced mandatory binding votes and restrictions on certain pay practices. The entire decade under review therefore falls within this regulatory framework.

Board and compensation committee composition is a further influence. More internationally experienced boards bring exposure to a broader range of compensation philosophies, some placing different weight on duration or instrument complexity.

Finally, the operational context for long-term equity plans has been demanding. Credible multi-year target-setting becomes increasingly difficult in an environment of geopolitical uncertainty, rapid technological change, and significant market volatility.

8.0 Conclusion

CEO compensation cannot be fully grasped at a glance by benchmarking TDC and its individual elements one by one. The HCM PayMap combines pay level, risk, and duration in a single framework, and provides a more complete picture of executive incentives and shifts the discussion from how much CEOs are paid to how they are paid.

The analysis of Swiss listed companies between 2015 and 2025 highlights three key findings.

- Companies with higher TDC generally also exhibit higher risk and longer duration, consistent with the concept of a compensation risk premium. Together, risk and duration explain more than 50% of the variation in TDC across companies.
- Identical pay levels can mask fundamentally different compensation strategies and incentive profiles.
- While broad market patterns appear relatively stable, individual companies often move through the HCM PayMap over time, frequently alongside strategic developments and changing business priorities.

For boards, investors, and remuneration committees, these findings underline the importance of looking beyond headline pay figures. The HCM PayMap offers a practical way to assess whether compensation structures are aligned with a company's strategy, governance objectives, and market positioning. It also provides a powerful basis for benchmarking, helping organisations understand not only where they stand on pay, but also how their incentive design compares with peers. As expectations around transparency and long-term value creation continue to increase, such multidimensional perspectives are likely to become an increasingly important part of compensation governance.