

## Credit Suisse Bonus Cuts Win Support From Norway's Wealth Fund

by **Jan-Henrik Foerster**

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- Glass Lewis says voluntary cuts are 'too little, too late'
- ISS, other advisory groups remain critical of pay proposals

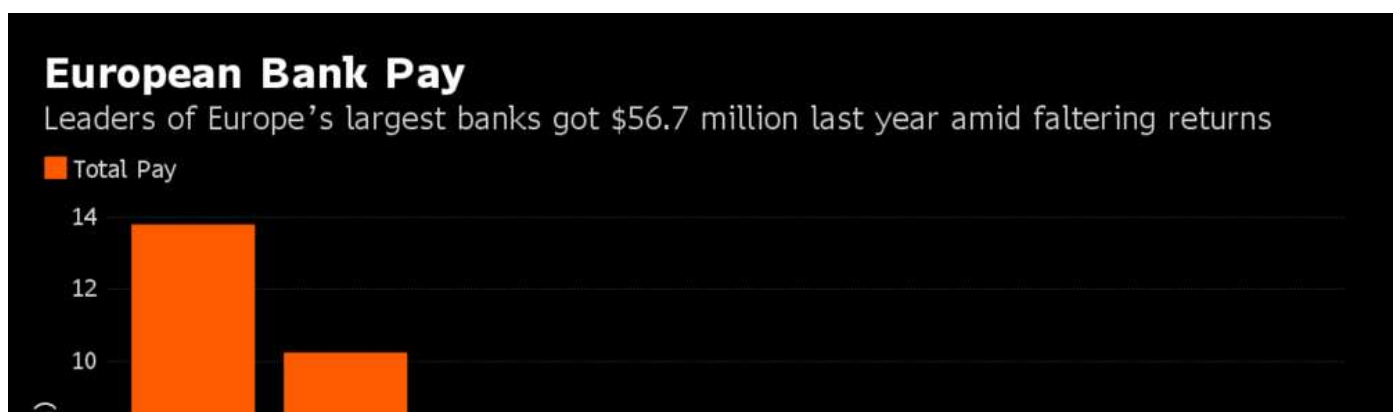
While shareholder groups stuck to criticism of [Credit Suisse Group AG's](https://www.bloomberg.com/quote/CSGN:VX) pay plans even after the bank backtracked, its revised proposals won over at least one of its biggest investors.

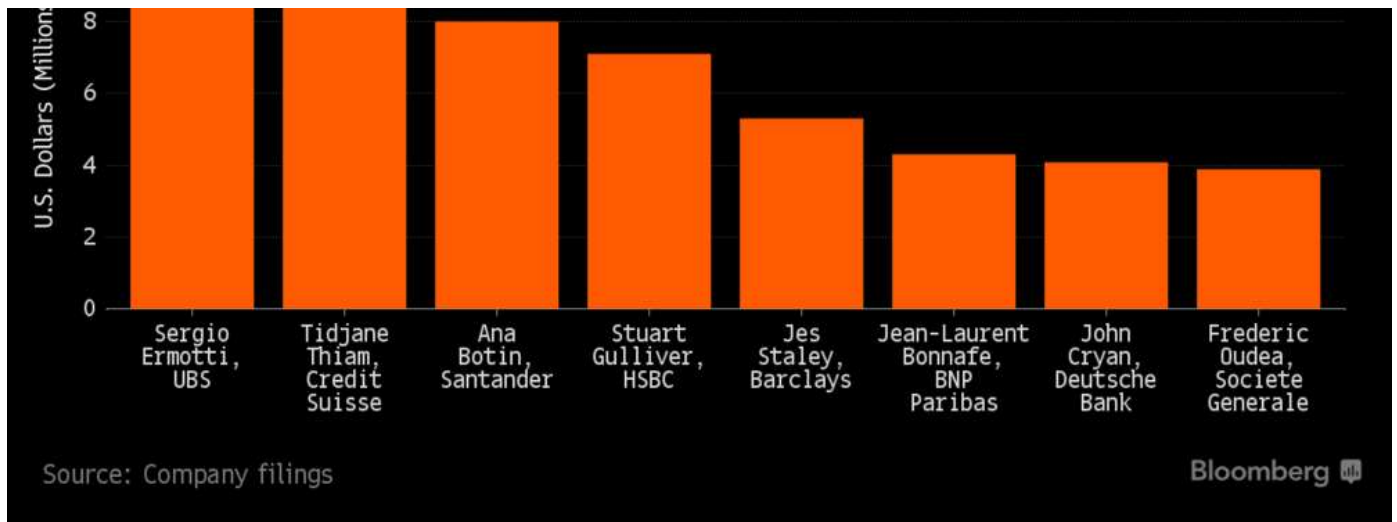
Norges Bank, Norway's sovereign wealth fund, met with Credit Suisse board members including Chairman Urs Rohner a number of times to determine how it would vote at this month's shareholder meeting. Executive remuneration was a focus of the agenda, it said in a statement Tuesday.

With the meeting just two weeks away, [Credit Suisse](https://www.bloomberg.com/quote/CSGN:VX) on Friday sought to calm an outcry by proposing to lower its bonuses for top executives and to freeze pay for the board of directors. At least four advisory groups had complained that the compensation was excessive given the bank's 2.7 billion-franc loss (\$2.7 billion) last year.

Norges Bank "welcomes the announcement made by the board on April 13 regarding a revision of executive remuneration," it said in the statement. "It is on this basis that we are now able to vote in favor of the remuneration-related resolutions at the annual general meeting."

Three advisory groups that rejected the bank's first pay proposals -- Institutional Shareholder Services Inc. and Switzerland's Ethos and zRating -- stuck to their recommendations despite the proposed reductions. Only Glass Lewis & Co. said the bonus cuts merit shareholder support -- it remains opposed to the board pay even at the previous year's level.





Swiss laws introduced in 2015 require companies listed in the country to give shareholders a binding annual vote on board and executive pay. Credit Suisse won backing last year despite opposition from advisory groups including Glass Lewis.

Another major shareholder, Harris Associates, had said it would back the 2016 remuneration proposals even before the cuts.

“We carefully analyzed the compensation plan and are happy to vote for it,” Chief Investment Officer David Herro said last week. Chief Executive Officer Tidjane Thiam “should not be held responsible for goodwill writedowns, conduct charges, etc., that occurred before his time.”

Credit Suisse’s stock fell 33 percent last year, with market turmoil, surprise trading losses and legal cases sapping confidence in a costly turnaround plan. Charges tied to a settlement over its crisis-era mortgage securities business pushed the bank into a second annual loss.

Executives are offering to forgo 40 percent of their bonuses, leaving the 13-member board with about 48 million francs -- 17 million francs split between cash and shares for achieving short-term targets and 31 million in shares for performances tied to long-term goals. The board of directors has renounced plans to raise its maximum compensation by 500,000 francs to 12.5 million francs.

“The decisions of the board and executive board represent positive steps that acknowledge the impact of the 2016 net loss on shareholders,” ISS said. “However, they come at the end of a flawed process where shareholder interests were not adequately taken into consideration.”

### Thiam, Ermotti

At 3 million francs, Thiam’s salary remains “significantly higher” than that of his predecessor, Brady Dougan, Glass Lewis said. Even with the voluntary cut in his bonus, he would still be the second best-paid CEO among European peers with a total compensation of 10.24 million francs.

“A situation in which top executives feel obliged to volunteer to reduce their own earned awards two weeks prior to an annual meeting facing a shareholder revolt highlights the dysfunction of a compensation program and a compensation committee that fail to adequately consider shareholder interests,” Glass Lewis said.

Glass Lewis and ISS support UBS Group AG’s compensation proposals for its annual meeting in May. They include 13.7 million francs in total compensation for Chief Executive Officer Sergio Ermotti.

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