

# REMUNERATION REPORT

**This remuneration report contains information about the principles, procedures for determining remuneration and components of remuneration of the Board of Directors and management of Phoenix Mecano AG. It is also based on the Articles of Incorporation, the transparency requirements set out in the Swiss Code of Obligations (CO), the SIX Swiss Exchange Directive on Information relating to Corporate Governance and the principles of the Swiss Code of Best Practice for Corporate Governance drawn up by Economiesuisse. The disclosures required under Articles 13–16 of the Swiss Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO) are contained in a separate section at the end of this remuneration report.**

## Remuneration principles and governance

Remuneration of the management and Board of Directors is based on the following principles:

- Transparency (simplicity, clarity)
- Business success (value creation, shareholder benefit)
- Adherence to market rates of executive pay (benchmarking of similar companies, qualifications and experience)

At the 2018 ordinary Shareholders' General Meeting, the Shareholders' General Meeting voted on Board of Directors and management remuneration. In addition, the following members of the Compensation Committee were re-elected: Beat Siegrist, Ulrich Hocker, Dr Martin Furrer. The committee is chaired by Beat Siegrist.

The Compensation Committee meets as often as required, but at least once a year. One meeting of the Compensation Committee took place in 2018. The tasks, powers, responsibilities and working methods of the Compensation Committee are described on

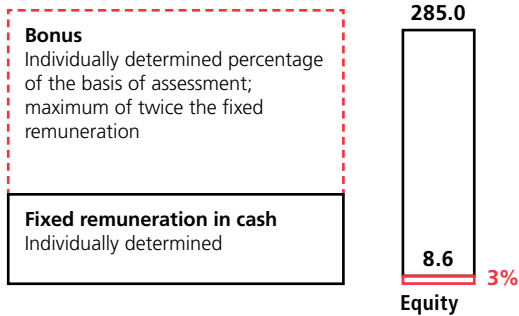
page 47 of the corporate governance report. The Compensation Committee can call in external compensation specialists to offer neutral advice or provide studies or data as a basis for comparison in setting remuneration.

## Procedures for determining remuneration

The composition and level of remuneration awarded to the Board of Directors and management are based on sector and labour market comparisons. The Compensation Committee also consults comparative figures and surveys of listed companies operating in the same sector, with similar sales, headcounts and geographical presence and with headquarters in Switzerland.

The variable remuneration of management members and the Executive Chairman of the Board of Directors is based on business criteria. In this way, Phoenix Mecano ensures that management bonuses are conditional upon the creation of added value for shareholders. The reference indicators for this are the Group's result of the period and equity for the past financial year. Special or one-off items are taken into

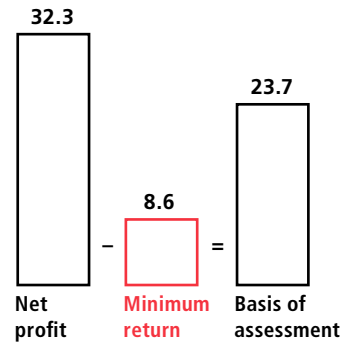
## Management remuneration structure



## Minimum return 2018 in EUR million

The variable remuneration component is conditional upon a minimum profit margin of 3% of equity.

## Calculation of basis of assessment for 2018 variable remuneration in EUR million



account, as they also impact on shareholders. In the interests of transparency, leverage effects and complex derivative structures are excluded from the outset.

The non-executive members of the Board of Directors receive only a fixed remuneration in cash, so that they can exercise their supervisory and overall guidance function free from conflicts of interest with the management.

## Structure of remuneration

The non-executive Board of Directors is remunerated in cash for all of its duties, including ordinary and any extraordinary meetings, committee activities and other extraordinary activities. Expenses are not reimbursed separately. Only in the case of cross-border travel are the actual costs reimbursed.

The management of Phoenix Mecano consists of two members: the CEO and CFO. Both hold responsible positions with an overall management role. Remuneration for all members therefore follows the same model, based on a simple but effective formula. Remuneration for the Executive Chairman of the Board of Directors is also based on this formula.

Each member of the management and the Executive Chairman of the Board of Directors receive a fixed remuneration in cash, taking into account their

qualifications, experience and area of responsibility, at prevailing market conditions (see also under Procedures for determining remuneration).

In addition, the members of the management and the Executive Chairman of the Board of Directors receive a variable remuneration component (bonus). To determine this component, a minimum profit margin of 3% of equity, calculated in relation to the Phoenix Mecano Group's balance-sheet equity, is first set aside. This is not taken into account in determining the bonus. Bonuses can only be paid if the result of the period, as recorded in the Phoenix Mecano Group's consolidated financial statements, exceeds this minimum amount of 3% of equity (for shareholders). No bonus is paid in the event of losses. All management members and the Executive Chairman of the Board of Directors receive their bonus as a percentage of the result of the period less the aforementioned minimum rate of return. The bonus is limited to a maximum of twice the fixed salary. The percentage received by individual management members and the Executive Chairman of the Board of Directors is set in advance, taking into account the individual's areas of responsibility.

No shares were allocated and no options were organised in the reporting year. There are no shareholding programmes for members of the Board of Directors or management under which shares or options could be issued.

## Social security and fringe benefits

The Phoenix Mecano Group operates a pension plan in Switzerland with a BVG-Sammelstiftung (collective foundation), in which the insurance risks are reinsured and the investment risks are borne by the insured (semi-autonomous pension solution). The members of the management and the Executive Chairman of the Board of Directors are affiliated to this pension plan. Pension payments are based on retirement savings, to which annual retirement credits and interest are added. Upon retirement, the legal framework provides for the payment of an annuity, with the option of a lump-sum payment. The annuity is calculated by multiplying the retirement savings by the current conversion rate. In addition to retirement benefits, pension benefits also include disability pensions and, in the event of death, partner's and orphan's pensions and, where applicable, a lump-sum death benefit. The Phoenix Mecano Group has also taken out group accident insurance for death and disability as well as daily sickness benefits insurance for members of the management and the Executive Chairman of the Board of Directors.

Management members and the Executive Chairman of the Board of Directors receive lump-sum expenses in accordance with the expense regulations approved by the relevant tax authorities. If they wish, members of the management and the Executive Chairman of the Board of Directors are given a company car for business and private use.

The compensation awarded to members of the Board of Directors is subject to the usual social security contributions. With the exception of the Chairman, members of the Board of Directors do not participate in the Phoenix Mecano pension plan.

## Additional fees

In principle, no fees or other allowances for additional services to Phoenix Mecano AG or any of its Group companies are awarded to members of the Board of Directors and management or persons related to them. Exceptions must be approved by the Shareholders' General Meeting.

## Contractual terms and conditions

The employment contracts of management members provide for a maximum notice period of 12 months.

## Severance pay

There is no contractual provision for severance pay for members of the Board of Directors or management.

## Rules laid down in the Articles of Incorporation

The Articles of Incorporation include the following rules concerning the vote on Board of Directors and management remuneration, the determination of performance-related pay and the allocation of equity securities, convertible rights and options, as well as concerning loans, credit facilities and post-employment benefits for members of the Board of Directors and management (extract from the Articles of Incorporation of Phoenix Mecano AG, version dated 20 May 2016):

### Article 13

Each year the Shareholders' General Meeting shall, with binding effect, separately approve, based on a proposal by the Board of Directors, the maximum total amounts of the remuneration of the Board of Directors, the management (including any Delegate) and any advisory board, for the next financial year commencing after the ordinary Shareholders' General Meeting (the "approval period"). The maximum total amounts approved by the Shareholders' General Meeting may be paid by the company and/or by one or more Group companies.

If an approved maximum total amount for remuneration of the management is insufficient to compensate any members appointed after the resolution of the Shareholders' General Meeting up to the commencement of the next approval period, the company shall have at its disposal an additional amount per person of up to 50% of the previously approved maximum total remuneration of the management for the approval period in question. The Shareholders' General Meeting shall not vote on the additional amount appropriated.

In addition to the approval pursuant to paragraph 1, the Shareholders' General Meeting may, each year, with binding effect, separately approve, based on a proposal by the Board of Directors, an increase in the approved maximum total amounts for remuneration of the Board of Directors, the management and any advisory board for the approval period ongoing at the time of the relevant Shareholders' General Meeting and/or for the preceding approval period. The Board of Directors shall be entitled to pay all kinds of authorised remuneration using the approved maximum total amounts and/or the additional amounts.

In addition, the Board of Directors may give the Shareholders' General Meeting the opportunity to hold an advisory vote on the remuneration report for the financial year preceding the Shareholders' General Meeting in question. If the Shareholders' General Meeting refuses to approve a maximum total amount for the members of the Board of Directors, the management or any advisory board, the Board of Directors may submit new proposals at the same Shareholders' General Meeting. If the Board of Directors does not submit new proposals or if the new proposals are also rejected, the Board of Directors may convene another Shareholders' General Meeting at any time, subject to legal requirements and the Articles of Incorporation.

#### **Article 20**

The company may pay executive members of the Board of Directors and the members of the management performance-related remuneration. The amount of this remuneration shall be based on the qualitative and quantitative targets and parameters set by the Board of Directors, in particular the overall success of the Group. The performance-related remuneration may be paid in cash or through the allocation of equity securities, conversion or option rights or other rights to equity securities. The Board of Directors shall specify detailed rules for the performance-related remuneration of members of the Board of Directors, the management and any advisory board. Non-executive members of the Board of Directors shall receive a fixed remuneration only.

The company may allocate equity securities, conversion or option rights or other rights to equity securities to members of the Board of Directors, the management and any advisory board as part of their remuneration. If equity securities, conversion or option rights or other rights to equity securities are allocated, the amount of the remuneration shall correspond to the value of the allocated securities and/or rights at the time of the allocation according to generally accepted valuation methods. The Board of Directors may stipulate a lock-up period for retaining the securities and/or rights and determine when and to what extent the beneficiaries acquire permanent entitlement and under what conditions any lock-up periods lapse and the beneficiaries immediately acquire permanent entitlement (e.g. in the event of a change of control, substantial restructuring or certain types of employment contract termination). The Board of Directors shall specify detailed rules.

#### **Article 21**

Loans and credit to members of the Board of Directors, the management and any advisory board may not as a rule exceed 100% of the annual remuneration of the individual in question.

### **Loans to corporate officers**

Phoenix Mecano AG and its Group companies have not granted any securities, loans or credits to current or former members of the management and Board of Directors or persons related to them.

## Remuneration for financial years 2018 and 2017 pursuant to ERCO

The following remuneration was awarded for financial year 2018:

Name	Position	Fixed remuneration	Variable remuneration	Social security and pension	Total remuneration
in 1 000 CHF					<b>2018</b>
Benedikt A. Goldkamp	Chairman of the Board of Directors	704	328	163	1 195
Ulrich Hocker	Independent Lead Director	256		16	272
Dr Florian Ernst	Board Member	64		5	69
Dr Martin Furrer	Board Member	64		5	69
Beat Siegrist	Board Member	64		5	69
Remuneration of the Board of Directors		1 152	328	194	1 674
Remuneration of the management		996	362	225	1 583
<b>Remuneration of the Board of Directors and management</b>		<b>2 148</b>	<b>690</b>	<b>419</b>	<b>3 257</b>
Highest individual management salary:					
Dr Rochus Kobler	CEO	592	258	138	988

The following remuneration was awarded for financial year 2017:

Name	Position	Fixed remuneration	Variable remuneration	Social security and pension	Total remuneration
in 1 000 CHF					<b>2017</b>
Benedikt A. Goldkamp	Chairman of the Board of Directors	699	178	138	1 015
Ulrich Hocker	Independent Lead Director	256		16	272
Dr Florian Ernst	Board Member	64		5	69
Dr Martin Furrer	Board Member	64		5	69
Beat Siegrist	Board Member	64		5	69
Remuneration of the Board of Directors		1 147	178	169	1 494
Remuneration of the management		980	196	198	1 374
<b>Remuneration of the Board of Directors and management</b>		<b>2 127</b>	<b>374</b>	<b>367</b>	<b>2 868</b>
Highest individual management salary:					
Dr Rochus Kobler	CEO	592	140	119	851

All compensation is short term in nature.

The Phoenix Mecano Group's consolidated statement of income for 2018 and 2017 includes no compensation for former members of the Group's bodies who left in the preceding period or before. In financial years 2018 and 2017, legal fees of CHF 21 000 and CHF 14 000 respectively were paid to law firm Baker McKenzie Zurich, in which Dr Martin Furrer is a partner.



# Report of the Statutory Auditor

To the General Meeting of Phoenix Mecano AG, Stein am Rhein

We have audited the accompanying remuneration report of Phoenix Mecano AG for the year ended December 31, 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained on page 60 (table) Annual Report.

## Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

## Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Opinion

In our opinion, the remuneration report for the year ended December 31, 2018 of Phoenix Mecano AG complies with Swiss law and articles 14–16 of the Ordinance.

KPMG AG

Kurt Stocker  
Licensed Audit Expert  
Auditor in Charge

Thomas Lehner  
Licensed Audit Expert

Zurich, March 26, 2019