

# Remuneration Report

The Remuneration Report contains information on the principles, programmes and procedures for determining the remuneration paid to the CPH Board of Directors and Group Executive Management and their amounts in 2016.

This report is divided into two sections. Section 1 is not subject to the auditing required under Article 13 of Switzerland's "VegüV" ordinance, while Section 2 is.

## 1. Remuneration and general information

The fundamental aim of the CPH Group is to provide remuneration that is in line with market levels. CPH regards such remuneration as a combination of a fixed and a variable salary component. The amount of each individual's overall remuneration and the components thereof are determined by regularly reappraising the current classification of each function, benchmarking the remunerations awarded and comparing these to market rates (see also the details below for the Board of Directors and Group Executive Management). Any modifications proposed to the remuneration for the Group CEO or further members of Group Executive Management are submitted for approval to the full Board of Directors by its Personnel & Compensation Committee, with due reference to the market comparisons conducted.

Every meeting of the Personnel & Compensation Committee is preceded by an agenda that is communicated to every Board member. The Committee also informs the other Board members of the topics it has discussed and the background to any proposals or recommendations submitted at the next Board meeting. Any committee member will voluntarily withdraw from any meeting at which any issues or remuneration are to be discussed regarding themselves or related persons.

The Personnel & Compensation Committee generally meets three times (and at least twice) a year. Three such meetings were held in 2016.

The members of the Personnel & Compensation Committee are elected individually by the Ordinary General Meeting to serve for a one-year term. For further details of the Committee's current composition and prime duties and responsibilities, please see the Corporate Governance section.

Individual performance has a direct influence on the remuneration paid to all CPH Group personnel, including management members. The assessment thereof is based on the degree to which broader and individual targets are achieved, and such achievement is remunerated via the variable salary compensation component. For each function, a target bonus is defined that will be paid if the targets concerned are achieved in full. The actual bonus to be paid will then be determined on the basis of the degrees to which such targets are achieved, with a maximum annual bonus payable amounting to 150% of the target bonus set. The bonus gradations between the lower and upper limits

of 0% and 150% may either be linear or consist of a series of steps: the details here are determined as part of the annual target-setting process. For 2016 linear gradations were adopted for all the personnel concerned. CPH does not award any discretionary bonus payments.

While the Articles of Incorporation of CPH Chemie + Papier Holding AG permit long-term incentives (particularly in the form of employee share ownership), the CPH Group currently has no such remuneration components. There are no management share ownership or share option plans for Board or management members. There are also no contractual agreements regarding severance payments.

The Group CEO has a contractual notice period of 12 months, while the further members of Group Executive Management have a notice period of six months. CPH maintains occupational pension arrangements for all its employees. There are no additional insurance arrangements for Group Executive Management members. The members of the Board of Directors are not insured under any CPH occupational pension scheme. The CPH remuneration system remained unchanged in 2016 from the previous year.

The structure and the amounts of the remuneration paid for certain functions are regularly reappraised using external benchmarks. In 2016 the remuneration paid to the members of Group Executive Management and the three Divisional Managements was analyzed by an external company. Its findings and conclusions were then discussed by the Personnel & Compensation Committee, and any adjustments deemed necessary were adopted from 1 January 2017.

The proposals on the maximum aggregate remuneration for the Board of Directors and Group Executive Management are prepared by the Personnel & Compensation Committee, appraised by the full Board and submitted to the General Meeting for approval. Should the proposal be rejected, and should the Board not submit a new proposal (or have this rejected too), an Extraordinary General Meeting should be convened within three months, or the Board may submit a further such proposal for retrospective approval at the next Ordinary General Meeting.

### Board of Directors

The remuneration paid to members of the Board of Directors consists of a fixed monetary amount. Members' work on either of the Board's two technical committees is additionally remunerated via meeting attendance fees. Board members are further awarded a flat per-day allowance for any work beyond their normal meeting activities. One such per-day allowance was paid in 2016.

The remuneration paid to Board members is determined on the basis of comparisons with corresponding publicly available data for comparable Swiss industrial companies whose shares are also listed on the SIX Swiss Exchange. The remuneration rates concerned are proposed to the full Board by its Personnel & Compensation Committee.

In accordance with Switzerland's "VegüV" Ordinance against Excessive Compensation in Stock Exchange Listed Companies and the correspondingly-amended Articles of Incorporation of CPH Chemie + Papier Holding AG, the maximum aggregate amount payable to the Board of Directors in the period between two Ordinary General Meetings is subject to the approval of the first such Meeting. This provision entered into effect from the Ordinary General Meeting for the 2015 business year.

For specific remuneration payments, please see Section 2 below.

### **Group Executive Management**

The remuneration paid to the members of CPH's Group Executive Management consists of a fixed and a variable component, both fully paid in monetary form. The target bonus for Group Executive Management members accounts for between around 20% and 67% of their basic salary. The actual variable remuneration paid depends on the degrees to which group targets and individual divisional or functional targets are achieved. The maximum variable remuneration amounts to 100% of the fixed basic salary for the Group CEO and 45% thereof for the further Group Executive Management members.

The assessment of the performance of Group Executive Management for variable-remuneration purposes is based on a specific target-setting process. These targets are set in five areas: financial results, customers & market, innovation, processes and leadership & personnel. The financial results targets are the same for all Group Executive Management members, while individual divisional and/or functional targets are set in the four further areas.

The achievement of the financial results targets accounts for 60% of the variable remuneration, with the remaining 40% based on the achievement of the targets set in the other four areas. EBIT, operating cash flow and net working capital targets were set as the financial results targets for 2016. The Heads of Divisions' performance in financial results terms is based two-thirds on the results of their division and one-third on Group results. The corresponding performances of the Group CEO and the CFO are based solely on the Group results achieved.

The targets for all target areas are prescribed by the Board of Directors for all Group Executive Management members (with the financial results targets derived directly from agreed budget parameters). The Group CEO and the further members of Group Executive Management may also make target proposals. The latter have their achievement of their targets assessed by the Group CEO, who submits appropriate recommendations to the Personnel & Compensation Committee. The

Group CEO's target achievements are assessed by the Chairman of the Board. All such assessments are discussed by the Personnel & Compensation Committee, which then submits a report to the full Board on the degrees to which each member of Group Executive Management has achieved the targets set and recommendations on the individual bonuses to be paid. The final decision on such bonuses is then taken by the Board in toto (and, since the 2016 business year, with due regard to the maxima specified by the Ordinary General Meeting).

With the exception of one company car, no fringe benefits are granted to Group Executive Management members.

The Group CEO is entitled to make proposals on the remuneration to be paid to Group Executive Management members. Up until the 2015 business year, the final amount of fixed and variable (target bonus) remuneration to be awarded to Group Executive Management in its entirety was set annually by the Board of Directors.

With effect from the Ordinary General Meeting for the 2014 business year, and in accordance with Switzerland's new "VegüV" ordinance and the correspondingly-amended Articles of Incorporation of CPH Chemie + Papier Holding AG, the maximum aggregate fixed and variable remuneration payable to Group Executive Management is now approved by each Ordinary General Meeting for the following business year. This was first done at the Ordinary General Meeting in 2015, for the 2016 business year.

Any new members of Group Executive Management who are appointed and assume their duties after the Ordinary General Meeting has approved the maximum aggregate Group Executive Management remuneration for the year concerned may – under Article 22 of the CPH Chemie + Papier Holding AG Articles of Incorporation – be paid an additional amount totalling (for all such new members) no more than 40% of this maximum aggregate amount.

The remuneration paid in 2016 to the members of the Board of Directors, the Group CEO (who received the highest remuneration of any Group Executive Management member) and the further members of Group Executive Management is shown in the tables in Section 2.

## **2. Remuneration paid to members of the Board of Directors and Group Executive Management**

This remuneration includes salaries, bonuses, credits, social security payments and occupational pension scheme contributions.

## Remuneration paid to members of the Board of Directors

**2016** in CHF thousand

Board of Directors	Board member since	Function	Finance & Auditing Committee	Personnel & Compensation Committee	Fixed remuneration	Board committee meeting fees	Social security contributions	Total
Peter Schaub	1994	Chairman	Member	Personnel issues only	297	0	19	316
Tim Talaat	1994	Deputy Chairman	Member	Member	76	8	5	89
Mauro Gabella	2005	Member		Chair	77	23	6	106
Kaspar W. Kelterborn	2015	Member	Chair		77	25	6	108
Manuel Werder	2015	Member	Member		76	8	5	89
Christian Wipf	2008	Member		Member	76	8	5	89
<b>Total</b>					<b>679</b>	<b>72</b>	<b>46</b>	<b>797</b>

A maximum aggregate remuneration of CHF 850 000 was set for the period between the 2016 and 2017 Ordinary General Meetings by the 2016 Meeting.

**2015** in CHF thousand

Board of Directors	Board member since	Function	Finance & Auditing Committee	Personnel & Compensation Committee	Fixed remuneration	Board committee meeting fees	Social security contributions	Total
Peter Schaub	1994	Chairman	Member	Personnel issues only	282	0	17	299
Tim Talaat	1994	Deputy Chairman from 29.4.2015	Member until 1.4.2015	Member	72	8	5	85
Mauro Gabella	2005	Member		Chair	72	20	7	99
Kaspar W. Kelterborn	2015	Member from 1.4.2015	Chair from 1.4.2015		53	20	4	77
Manuel Werder	2015	Member from 1.4.2015	Member from 1.4.2015		53	5	4	62
Christian Wipf	2008	Member		Member	72	5	5	82
Max Walter	1990	Deputy Chairman until 1.4.2015	Chair until 1.4.2015		21	3	1	25
<b>Total</b>					<b>625</b>	<b>61</b>	<b>43</b>	<b>729</b>

### Notes on the remuneration paid to members of the Board of Directors

The amounts shown are the remuneration paid for the year concerned, regardless of when such payment was made. All such remuneration was in monetary form. Board members are not subject to any share ownership or share option plans. The remuneration is shown in gross form, including employees' social security contributions. The social security contributions shown separately include those of the employer.

No remuneration was paid to any former Board members. No loans were made to any current or former Board members, and no such loans are outstanding.

No remuneration was paid and no loans were made to any parties related to any Board members, and no such loans are outstanding. No transactions were conducted on non-market terms with any natural persons or legal entities related to any Board members.

## Remuneration paid to members of Group Executive Management

**2016** in CHF thousand

Group Executive Management	Function	Fixed compensation	Variable compensation	Pension scheme and social security contributions	Further compensation	Total
Peter Schildknecht	CEO	500	290	161	3	954
Further GEM members combined		1 050	290	290	16	1 646
<b>Total</b>		<b>1 550</b>	<b>580</b>	<b>451</b>	<b>19</b>	<b>2 600</b>

A maximum aggregate remuneration of CHF 3 350 000 was set for the period between the 2016 and 2017 Ordinary General Meetings by the 2016 Meeting.

**2015** in CHF thousand

Group Executive Management	Function	Fixed compensation	Variable compensation	Pension scheme and social security contributions	Further compensation	Total
Peter Schildknecht	CEO	500	257	137	12	906
Further GEM members combined		1 168	306	306	15	1 795
<b>Total</b>		<b>1 668</b>	<b>563</b>	<b>443</b>	<b>27</b>	<b>2 701</b>

### Notes on the remuneration paid to members of Group Executive Management

The variable remuneration shown for 2016 corresponds to the provisions made (on an accrual basis). The variable remuneration shown for 2015 has been adjusted to reflect the payments actually made. This is not new remuneration, but the same remuneration as was shown in the 2015 Annual Report. That remuneration could only be shown on the basis of the provisions made (on an accrual basis), however, whereas the above table shows the final amounts actually paid for 2015. All such remuneration, both fixed and variable, was in monetary form. Group Executive Management members are not subject to any share ownership or share option plans. The remuneration is shown in gross form, including employees' company pension scheme and social security contributions. The company pension scheme and social security contributions shown separately include those of the employer. "Further compensation" relates to the private use of the company car and any long-service awards.

No remuneration was paid to any former Group Executive Management members. No loans were made to any current or former Group Executive Management members, and no such loans are outstanding.

No remuneration was paid and no loans were made to any parties related to any Group Executive Management members, and no such loans are outstanding. No transactions were conducted on non-market terms with any natural persons or legal entities related to any Group Executive Management members.

# Report of the statutory auditor on the Remuneration Report

We have audited the remuneration report of CPH Chemie + Papier Holding AG as per 10 February 2017 (see chapter 2, pages 35 to 37) for the year ended 31 December 2016.

## Board of Directors' responsibility

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.

## Auditors' 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 of CPH Chemie + Papier Holding AG for the year ended 31 December 2016 complies with Swiss law and articles 14-16 of the Ordinance.

PricewaterhouseCoopers AG



Thomas Illi  
Audit expert  
Auditor in charge



Marcel Aeberhard  
Audit expert

Zurich, 10 February 2017